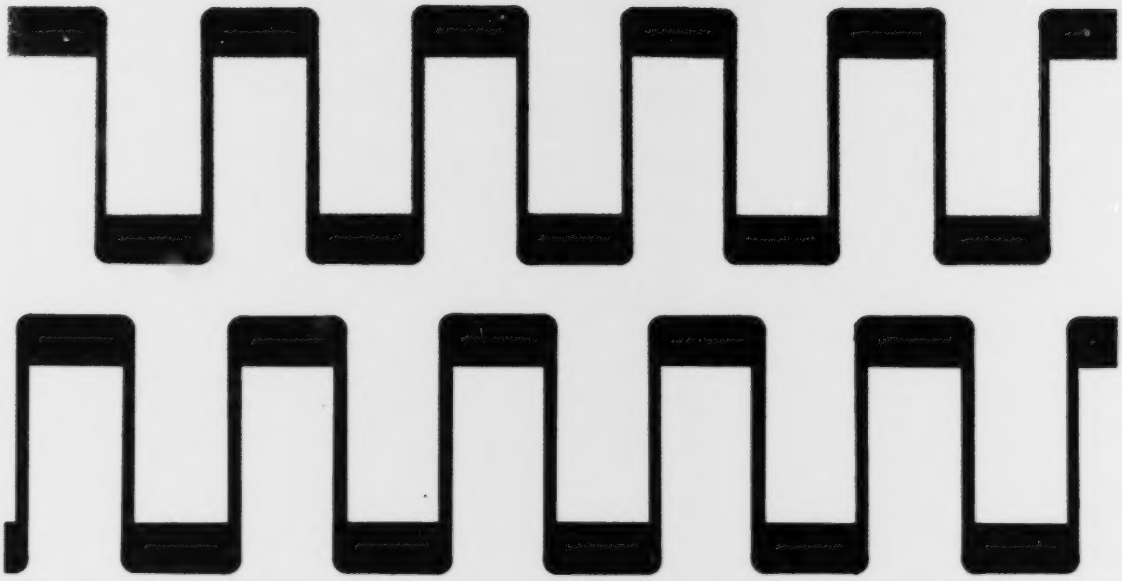
Ontario

ontario telephone service commission

1982 annual report



Ontario

Ministry of Transportation and Communications

Ontario

Office of the
Minister

Ministry of
Transportation &
Communications

416/965-2101

Ferguson Block
Queen's Park
Toronto Ontario

The Honourable John Black Aird, OC QC BA LL.D
Lieutenant Governor of Ontario
Legislative Building
Queen's Park

MAY IT PLEASE YOUR HONOUR

I beg leave to present the 1982 Annual Report of the Ontario Telephone Service Commission for the year ending December 31, 1982.

Respectfully submitted,

James W. Snow
Minister

Ontario

Ontario
Telephone Service
Commission

Suite 200
3625 Dufferin St.
Downsview Ontario
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December 31, 1982

The Honourable James W. Snow
Minister of Transportation and Communications
3rd Floor, Ferguson Block
77 Wellesley Street West
Toronto, Ontario
M7A 1Z8

Dear Mr. Snow:

We have the honour to present herewith the Annual Report of the Ontario Telephone Service Commission for the year ending December 31, 1982.

Respectfully submitted,

V. W. Bielski, Q.C.
Chairman

F. Wall,
Vice Chairman

E. A. Frith,
Member

M. E. Parry,
Member

D. A. Austin,
Member

G. Klonter
Member

ONTARIO TELEPHONE SERVICE COMMISSION
1982 ANNUAL REPORT

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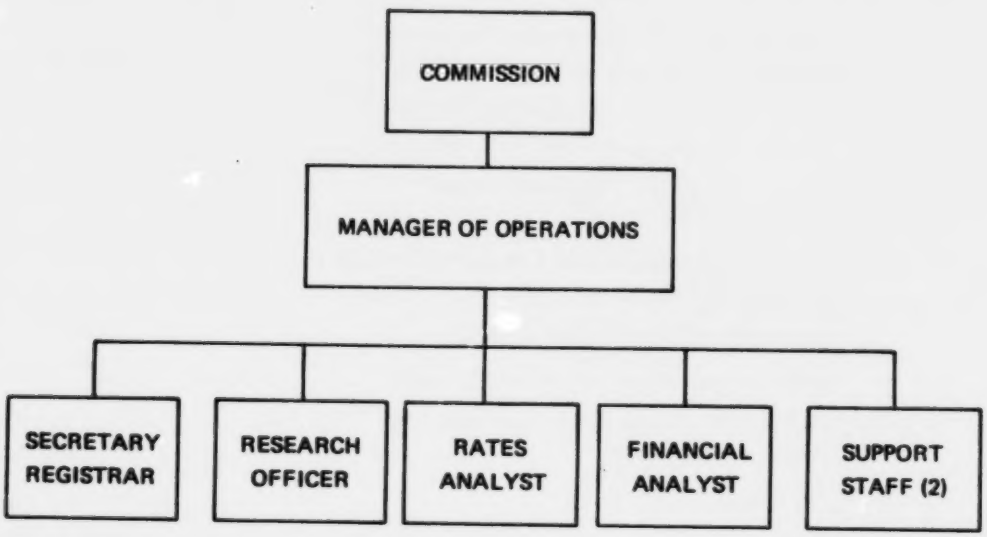
1. THE COMMISSION

The Ontario Telephone Service Commission regulates thirty-one telephone systems in Ontario. The Commission consists of six members as appointed by the Lieutenant Governor in Council.

Chairman	Mrs. V.W. Bielski, Q.C.
Vice-Chairman	Mr. F. Wall
Member	Mr. E.A. Frith
Member	Mrs. M.E. Parry
Member	Mr. D.A. Austin
Member	Mr. G. Klosler

The Commission is assisted by a staff of seven. The following chart outlines the present organizational structure of the Commission.



The Commission's governing statute is The Telephone Act (R.S.O. 1980, c.496) and in 1982 the Commission issued 96 Orders. The following is a summary of the number of Orders issued in respect to the purpose and the section under the Act.

Section		No. of Orders
10	Previous order revoked or amended	6
15	Orders by Commission motion	1
61	Sufficiency of rates for Municipal Telephone Systems	1
88	Approval of company By-Laws and Special Resolutions	3
91	Approval to interconnect customer owned equipment	9
94	Terms for the provision of service	1
96	Approval of agreements for interchange of service between systems	33
105	Approval of changes in local telephone service rates	31
108	Change in depreciation rates	3
109	Approval to issue stock, bonds or indebtedness	6
115	Prescribing filing date of Annual returns	2
	TOTAL	96

In 1982 the Commission attended 13 meetings and held public field hearings in Kenora, Manitoulin Island, New Liskeard and Thunder Bay.

The Commission issued five Orders in 1982 as a result of general rate applications. The following chart shows the disposition of the orders which are included as appendices to this report.

GENERAL RATE APPLICATIONS

System	Hearings	Intervenors	Increase	Outcome of Request
Kenora	Kenora	1	10.0%	100% approved
Manitoulin Island	West Bay Toronto	16	23.7%	100% approved
Otonabee MTS	Keene	1	16.8%	100% approved
Northern Tel.	New Liskeard Toronto	61	15.0%	95% approved
Thunder Bay	Thunder Bay	9	8.5%	100% approved

The Commission also gave consideration to applications for authorization of the issue of indebtedness. Under section 109 of The Telephone Act, a telephone system cannot issue stock, bonds, or notes, or other evidence of indebtedness, such as long term loans covering a period over twelve months, until Commission authorization is granted. The Commission by it's order authorizes the issue and the amount thereof, and states the purpose to which the issue or proceeds are to be applied. In 1982 the Commission approved indebtedness applications for 4 telephone systems.

CUSTOMER COMPLAINTS AND INQUIRIES

The Telephone Act gives the Commission jurisdiction to hear complaints and inquiries from customers concerning the quality of service, rates and management policies of their telephone systems.

Telephone systems operate as monopolies in that they have an exclusive right to operate in their service territory. Since telephone systems do not experience competitition from other carriers, dissatisfied customers cannot take ttheir business elsewhere.

Customers can seek recourse with the Commission should they have a dispute with their telephone system. In 1982 the Commission received approximately 140 written and oral inquiries and complaints as a result of either rate applications or individual service problems. Individual service complaints and inquiries (excluding those submissions received during rate applications) appear on the following pages as per system and type of complaint or inquiry.

The Commission investigated and settled all the customer complaints and queries, however it should be noted that one case required a formal hearing and order by the Commission.

TELEPHONE SERVICE

CUSTOMER COMPLAINTS AND INQUIRIES NOT RELATED TO RATE APPLICATIONS

System	Outages	Billings	Line Loads	Deposits	Service Request	*EAS	Other	Total
Abitibi-Price Inc.	–	–	–	–	–	–	1	1
Amtelecom Inc.	–	2	–	–	–	–	1	3
Blanshard Municipal Telephone System	–	1	–	–	–	–	1	2
Brooke Municipal Telephone System	–	–	–	–	–	–	3	3
Bruce Municipal Telephone System	–	–	1	–	–	–	–	1
Coldwater Public Utilities Commission	–	–	–	–	–	–	1	1
Durham Telephones Limited	–	–	–	1	–	–	–	1
Gosfield North Municipal Telephone System	–	1	–	–	–	–	–	1
Hay Municipal Telephone System	–	1	–	–	–	–	–	1
Huron and Kinloss Municipal Telephone System	–	1	–	–	–	1	–	2
Lansdowne Rural Telephone Company Limited	–	–	–	1	–	1	–	2
Manitoulin Island Telephone Company Limited	2	–	1	–	3	–	–	6
Mornington Municipal Telephone System	–	–	–	–	–	–	1	1
North Frontenac Telephone Company Limited	–	1	–	–	–	–	2	3

* *Extended Area Service*

TELEPHONE SERVICE
CUSTOMER COMPLAINTS AND INQUIRIES NOT RELATED TO RATE APPLICATIONS

System	Outages	Billings	Line Loads	Deposits	Service Request	*EAS	Other	Total
North Renfrew	–	1	–	1	–	–	–	2
Northern Telephone Limited	1	2	2	–	7	–	3	15
Peoples Telephone Company of Forest Limited, The	–	--	–	--	–	–	2	2
Tuckersmith Municipal Telephone System	–	–	–	–	2	–	–	2
Westport Telephone Company Limited, The	–	–	–	–	1	2	–	3
							1	1
TOTAL	3	10	4	3	13	4	16	53

* *Extended Area Service*

2. MAJOR ACTIVITIES

i) *Uniform System of Accounts*

The introduction of a Uniform System of Accounts (U.S.O.A.) was initiated approximately four years ago by the Commission. The purpose was to standardize the accounting procedure for the benefit of the telephone systems, and also provide the Commission with a further means of comparing and assessing revenue requirements. A study paper and two drafts were prepared between 1979 and 1981. Comments and suggestions were solicited from the telephone industry and the Ontario Telephone Association.

The Commission has by Order No. 4187, dated November 3, 1982, directed the telephone systems under its jurisdiction to use the Uniform System of Accounts. For accounting purposes the telephone systems were designated into classes (determined by the number of main stations), with the smaller systems being exempt.

Manuals have been printed and distributed to all the telephone systems. The Uniform System of Accounts has been one of the Commission's more ambitious regulatory undertakings and required the full cooperation of the telephone industry. To this end, and to ensure the goal of January 1, 1984 is met, the Commission is providing it's staff to assist the Ontario Telephone Association in their training program which is directed to the employees of the various telephone systems. This program will be completed in February of 1983.

ii) *Quality of Service*

Traditionally, a telephone system's quality of service has been gauged simply by measuring the volume of customer complaints made against the system. The most common complaints received are in regard to line static, outages, timeliness of repair visit, and central office trunk access. Unfortunately, when service has deteriorated to a point where a large percentage of customers are dissatisfied, the recovery process can be both long and costly. The Commission has encouraged systems to use long range forecasting with respect to service improvement and upgrading. The same concept of advanced planning and forecasting can be applied in determining problem areas in quality of telephone service. Ideally, if a problem can be identified in its early stages, it can be rectified with a minimum of cost and inconvenience to the public.

The Commission, since 1981, has undertaken with the assistance of the industry, a quality of service study. The input, especially from the Ontario Telephone Association, has been positive and beneficial. The Commission in consultation with the Ontario Telephone Association, has examined a number of quality of service standards. A report on the Commission's recommendations for quality of service indicators and standards is expected to be released early in 1983. The Commission anticipates that this will be an ongoing matter and will welcome further input from both the public and the industry.

3. REGULATORY ISSUES

i) *Terminal Attachment*

The issue of allowing customers to interconnect their own telecommunications devices to the telephone systems under provincial jurisdiction, has been the object of the most intensive regulatory scrutiny by this Commission. Twelve years ago the Commission regulated sixty-six telephone systems. The requirements and conditions from customer provided terminal attachment were dealt with in Order No. 2612, issued in 1970. Between 1970 and 1979, the Commission heard only five customer owned interconnect applications. However, from 1980 to 1982, the Commission issued fourteen orders on separate applications in regard to terminal attachment. The Commission, in 1981, revoked Order No. 2612 and commenced to re-examine the issue of customer provided terminal attachment in light of the technological and regulatory environment of the 1980's.

The Commission in November 1981, placed notices in newspapers throughout Ontario inviting interested parties to submit and identify issues pertaining to customer provided terminal attachment. All submissions were to be filed by December 31, 1981.

The Commission reviewed the submissions, and in February issued a notice inviting interested parties and parties of record to respond to the topics selected by the Commission. While the Commission indicated that it would accept submissions on any issue related to terminal attachment, there were seven issues in particular the Commission wished addressed:

(1) Whether or not, or to what extent, the attachment of customer provided terminal devices is in the public interest and if so, the appropriate scope and phasing in of customer provided terminal attachment.

(2) The impact of customer provided terminal attachment on the needs of telephone subscribers, carrier responsiveness and the quality of service generally.

(3) The impact of customer provided terminal attachment on the revenues, the costs and the rates of the telephone systems.

(4) The effect of customer provided terminal attachment on telecommunication manufacturers and suppliers.

(5) The technical standards and the method of compliance which should apply to customer provided terminal devices.

(6) The rules governing the participation of a telephone system, or subsidiary of a telephone system, in the market for the provision of customer provided terminal devices.

(7) The nature and extent of the Commission's jurisdiction to issue orders dealing with customer provided terminal attachment particularly with respect to the current tariffs of the telephone systems under Commission jurisdiction, and other questions of law.

Numerous submissions were received and the following parties attended and participated at a general issues hearing held in Downsview on June 23, 1982.

CNCP Telecommunications;
Canadian Business Equipment Manufacturers Association;
Canadian Communications Workers;
Canadian Radio Common Carriers Association;
Consumer and Corporate Affairs Canada;
The Corporation of the City of Thunder Bay;
International Brotherhood of Electrical Workers;
MidCanada Phone Systems;
Northern Telephone Limited;
Ontario Hospital Association;
Ontario Telephone Association;
Joint Submission of: Durham Telephones Limited;
Hurontario Telephones Limited;
North Norwich Municipal Telephone System.

Interim Order No. 4188 was issued November 18, 1982, and permitted interconnection on a broad scale for business and residences in large telephone systems containing more than 1500 main telephones. Systems with less than 1500 main telephones would be permitted interconnection on residence service only, business interconnection would require approval by the Commission. For the purposes of Order 4188, a single line service is a single line installation including Individual Residence or Business Service, the inside wiring and the main telephone set. A multi-line installation consists of more than one Individual Residence or Business Service connected to multi-line equipment such as a key system. In some cases, one customer could have more than one type of installation, such as a single-line installation alongside a multi-line installation. It would be possible, in such a case, for the customer to own the terminal equipment related to the multi-line installation, while the carrier owns the single-line equipment.

The Commission is sensitive to the industry's concerns regarding compensory rates for such items as: customer repair visits where it is found that the customer provided equipment is at fault; the provision of inside wiring; accounting procedure for the sale of equipment, and more importantly, the impact on revenue requirement. To assist in this area the Commission invited all interested parties to file submissions by the end of March 1983, with respect to the unbundling of rates. The Commission will monitor the effects of the interim decision on both the public and telephone industry before a final decision on interconnection is made.

ii) *Comparative Requirements Test*

Revenues derived from long distance toll charges comprise the greatest source of income for many of the independent telephone systems in Ontario. Toll revenues are divided between the independents and Bell Canada based on a methodology agreed to in a Traffic Agreement. The Traffic Agreement consists of a series of formulas covering services undertaken between the two carriers. The formulas take into account such factors as the size of the system, the presence of toll enhancing features (i.e. Automatic Number Identification) and the volume of traffic originating from the exchanges. The Traffic Agreement is the object of protracted negotiation between the independent telephone systems and Bell Canada. When an agreement is reached the new formulas are filed with the carrier's respective regulators for approval.

Differences between carriers with regard to revenue sharing have not always been resolved without regulatory intervention. In 1976 the Canadian Radio-television and Telecommunications Commission (C.R.T.C.) was asked to hear a dispute between British Columbia Telephones (B.C. Tel.) and the City of Prince Rupert with regard to separation of gross toll. The C.R.T.C. appointed a Committee of Inquiry to review the subject of toll separation between the two systems.

The Committee of Inquiry submitted to the C.R.T.C. a paper entitled The Prince Rupert Report. The Prince Rupert Report recommended the application of a Traffic Agreement supplement called a Comparative Requirements Test (C.R.T.). The concept of C.R.T. can best be described in the following quote:

> Assume the local connecting Company and it's subscribers were transformed into a similarly situated community within the toll company's operating area. Then the local company should obtain a level of compensation from the toll company which will ensure that it's subscribers are treated substantially the same as those in the similarly situated community of the toll company's territory. (Prince Rupert Report p.66)

The Commission embraces the general principles outlined in the Prince Rupert Report. The issues addressed in that case should also apply to toll separation negotiations between the Ontario independents and Bell Canada.

The Commission in 1982 received an application from Amtelecom Incorporated for approval of a C.R.T. supplement to the Traffic Agreement with Bell Canada. While the Commission approved the application it nevertheless had serious concerns regarding its implications. A review of the application uncovered methodologies which were inconsistent with those approved by the Commission for determining revenue requirement. The adjustments made by the carriers to the rate base, the rate of return, the comments on the service improvements, the construction program, and the calculation of expenses were based on criteria not used by the Ontario Telephone Service Commission. The Commission in Order No. 4125 stated emphatically that all future C.R.T. applications would have to conform to the practices and policies approved by the Commission.

The Commission on November 24, 1982 received an application for approval of a C.R.T. agreement between Manitoulin Island Telephone Company and Bell Canada. It is expected that a decision will be reached on this matter early in 1983.

APPENDICES

APPENDIX (i)

Type of Entity of the Independent Telephone Systems Operating in Ontario in 1982.

	Systems		Telephones	
	No.	%	No.	%
Systems operated as public utilities by municipal corporations	5	16.1	120,814	44.0
Municipal Systems	11	35.5	38,696	14.0
Incorporated companies	15	48.4	114,807	42.0
Total	31	100.0	274,317	100.0

APPENDIX (ii)

Size Distribution of the Independent Telephone Systems Operating in Ontario in 1982.

No. of Telephones	No. of Systems	Percent
0 - 500	1	3.2
501 - 1,000	1	3.2
1,001 - 2,000	11	38.7
2,001 - 3,000	6	16.2
3,001 - 4,000	3	9.6
4,001 - 5,000	3	9.6
5,001 - 10,000	2	6.5
10,001 - 50,000	2	6.5
50,001 - 100,000	2	6.5
Total	31	100.0

APPENDIX (iii)

Net growth of the Telephone Industry in Ontario since 1972.

Dec. 31	No. of Systems	No. of Telephones	% Change
1972	40	205,470	5.40
1973	40	216,007	5.13
1974	40	227,810	5.46
1975	40	240,700	5.66
1976	39	258,161	7.25
1977	36	262,363	1.63
1978	35	274,916	4.78
1979	32	284,288	3.41
1980	31	261,446	(8.03)
1981	31	270,053	3.29
1982	31	274,317	1.60

APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3	Abitibi-Price Incorporated	F. R. Robar Electrical Superintendent	Iroquois Falls P0K 1E0 (705) 258-3241	Iroquois Falls	624	410	1,034	1,034
3	Amtelecom Incorporated	R. B. Barnard President and General Manager	18 Sydenham Street Aylmer N5H 1L2 (519) 773-8441	Aylmer	4,534	2,539	7,073	
				Cambray	612	134	746	
				Dyer's Bay	110	18	128	
				Lion's Head	765	212	977	
				Port Burwell	604	236	840	
				Stokes Bay	92	16	108	
				Straffordville	991	384	1,375	
				Tobermory	483	143	626	
					8,191	3,682	11,873	11,873
2	Blanshard Municipal Telephone System	L. Mardlin Manager	Kirkton N0K 1K0 (519) 229-8933	Granton	542	350	892	
				Kirkton	956	611	1,567	
				Sebringville	1,033	562	1,595	
				Uniondale	411	228	639	
					2,942	1,751	4,693	4,693
2	Brooke Municipal Telephone System	W. Chapman Manager	P.O. Box 40 Inwood N0N 1K0 (519) 844-2160	Alvinston (S)	293	125	418	
				Inwood	489	219	708	
				Watford (S)	541	233	774	
					1,323	577	1,900	1,900
2	Bruce Municipal Telephone System	J. T. Scurfield Manager	Box 580 Kincardine N0G 2G0 (519) 396-3322	Kincardine	3,690	1,847	5,537	
				Paisley	879	378	1,257	
				Port Elgin	3,410	1,495	4,905	
				Tiverton	1,123	315	1,438	
					9,102	4,035	13,137	13,137
3	Capital Telephone Company Limited	R. M. Botham Assistant Secretary-Treasurer	c/o Bell Canada 393 University Avenue 19th Floor Toronto M5G 1W9 (416) 599-4936	Maberly	207	68	275	275
1	Cochrane Public Utilities Commission	G. F. Jarvis Engineering Manager	153 Sixth Avenue Box 640 Cochrane P0L 1C0 (705) 272-4232	Cochrane	2,107	1,408	3,515	3,515

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	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
2	Coldwater Municipal Telephone System	G. Moreau Secretary-Treasurer	P.O. Box 202 Coldwater L0K 1E0 (705) 686-3698	Coldwater	806	303	1,109	1,109
1	Dryden Municipal Telephone System	B. H. Moline Operations Manager	30 Van Horne Avenue Dryden P8N 2A7 (807) 223-2226	Dryden	3,175	2,633	5,808	5,808
3	Durham Telephones Limited	J. E. Downs General Manager	63 Brule Gardens Toronto M6S 4J5 (416) 767-4042	Cavan Millbrook	330 815 1,145	140 376 516	470 1,191 1,661	1,661
2	Gosfield North Municipal Telephone System	B. Weaver Administrator	Box 130 Cottam N0R 1B0 (519) 839-4734	Cottam	1,109	483	1,592	1,592
2	Hay Municipal Telephone System	W. H. Wagner Manager and Secretary-Treasurer	Box 99 Zurich N0M 2T0 (519) 236-4333	Dashwood Grand Bend Zurich	432 1,762 955 3,149	218 657 403 1,278	650 2,419 1,358 4,427	4,427
2	Huron and Kinloss Municipal Telephone System	C. Nicholson Manager	P. O. Box 220 Huron Street Ripley N0G 2R0 (519) 395-2626	Dungannon Ripley	845 1,702 2,547	274 645 919	1,119 2,347 3,466	3,466
3	Hurontario Telephones Limited	K. V. Stevens Manager	P.O. Box 59 Thedford N0M 2N0 (519) 296-4926	Port Franks Thedford	880 550 1,430	302 276 578	1,182 826 2,008	2,008
1	Keewatin Municipal Telephone System	E. A. Sherred Clerk-Treasurer	P. O. Box 139 Keewatin P0X 1C0 (807) 547-2881	Keewatin	786	488	1,274	1,274

APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
1	Kenora Municipal Telephone System	George Dunford Operating Head	P. O. Box 1110 Kenora P9N 3X7 (807) 468-8906	Kenora	5,030	4,180	9,210	9,210
3	Lansdowne Rural Telephone Company Limited	R. P. Crawford General Manager	P.O. Box 9 Lansdowne K0E 1L0 (613) 659-2222	Lansdowne	1,299	551	1,850	1,850
3	Manitoulin Island Telephone Company Limited	R. B. Barnard General Manager	18 Sydenham Street East Aylmer N5H 1L2 (519) 773-8441	Manitowaning Mindemoya	807 837 1,644	271 349 620	1,078 1,186 2,264	2,264
2	Mornington Municipal Telephone System	E. J. Bay Secretary-Treasurer	16 Mill Street Milverton N0K 1M0 (519) 595-8331	Milverton	1,507	732	2,239	2,239
3	North Frontenac Telephone Company Limited	H. J. Schmidt Secretary-Treasurer	Box 130 Baden N0B 1G0 (519) 634-5300	Parham Sharbot Lake	442 696 1,138	78 184 262	520 880 1,400	1,400
2	North Norwich Municipal Telephone System	A. Williams Secretary-Treasurer	P.O. Box 33 Burgessville N0J 1C0 (519) 424-9171	Burgessville Norwich (S) Woodstock (S)	842 312 274 1,428	357 144 175 676	1,199 456 449 2,104	2,104
3	North Renfrew Telephone Company Limited	W. Vandekemp Manager	Box 70 Beachburg K0J 1C0 (613) 582-3600	Beachburg Pembroke (S) Westmeath	526 262 320 1,108	210 128 93 431	736 390 413 1,539	1,539

APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3	Northern Telephone Limited	M. W. Cooper President and General Manager	17 Paget Street Box H New Liskeard P0J 1P0 (705) 647-7311	Abitibi Canyon	21	69	90	
				Calstock	121	64	185	
				Cobalt	898	409	1,307	
				Cochrane (S)	653	229	882	
				Connaught	132	38	170	
				Detour Lake	16	18	34	
				Earlton	882	349	1,231	
				Elk Lake	214	84	298	
				Englehart	1,484	709	2,193	
				Fauquier	239	79	318	
				Gowganda	70	29	99	
				Haileybury	1,804	903	2,707	
				Hearst	2,736	1,878	4,614	
				Iroquois Falls	2,010	982	2,992	
				Kamiskotia	56	8	64	
				Kapuskasing	5,094	4,066	9,160	
				Kirkland Lake	5,145	2,822	7,967	
				Larder Lake	430	133	563	
				Latchford	138	49	187	
				Matachewan	141	56	197	
				Matheson	702	340	1042	
				Mattice	334	86	420	
				Moonbeam	538	216	754	
				New Liskeard	3,759	2,670	6,429	
				Opasatika	141	55	196	
				Opishing	9	2	11	
				Ramore	363	137	500	
				Smooth Rock Falls	929	531	1,460	
				South Porcupine	2,890	2,543	5,433	
				Swastika	726	344	1,070	
				Timmins	15,124	9,717	24,841	
				Virginiatown	460	191	651	
					48,259	29,806	78,065	78,065
2	Otonabee Municipal Telephone System	J. D. Coit Secretary-Treasurer	P.O. Box 40 Keene K0L 2G0 (705) 294-4412	Keene	943	390	1,333	1,333
3	People's Telephone Company of Forest, Limited (The)	G. Maxfield Manager	P.O. Box 700 Forest N0N 1J0 (519) 786-2351	Aberarder	651	231	882	
				Arkona	488	269	757	
				Forest	2,144	918	3,062	
					3,283	1,418	4,701	4,701

APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3	Roxborough Telephone Company Limited	J. W. Beach Manager	P.O. Box 179 Moose Creek K0C 1W0 (613) 538-2800	Moose Creek	390	183	573	573
3	South Bruce Rural Telephone Company Limited	A. T. McTavish Manager and Secretary-Treasurer	Teeswater N0G 2S0 (519) 392-6873	Mildmay Teeswater	1,068 930	317 292	1,385 1,222	
					1,998	609	2,607	2,607
1	Thunder Bay Telecommunications	A. M. Hawkins Manager	241 Vickers Street South Thunder Bay P7E 1J5 (807) 623-2711	Court Street Current River MacKenzie Murillo Riverview Rosslyn Shuniah Vickers Street	16,795 2,565 689 637 9,773 1,187 7,158 16,720	14,394 1,501 181 242 9,386 616 3,910 15,253	31,189 4,066 870 879 19,159 1,803 11,068 31,973	
					55,524	45,483	101,007	101,007
2	Tuckersmith Municipal Telephone System	M. Graham Secretary-Treasurer	R. R. #1 Brucefield N0M 1J0 (519) 482-9908	Bayfield Clinton (S) Hensall (S) Seaforth (S)	761 345 356 422	251 171 191 199	1,012 516 547 621	
					1,884	812	2,696	2,696
3	Westport Telephone Company	H. A. Lynn Manager	Box 252 Westport K0G 1X0 (613) 273-2121	Westport	1,081	330	1,411	1,411
3	Wightman Telephone Limited	R. Wightman President	Box 70 Clifford N0G 1M0 (519) 327-8012	Ayton Clifford Gorrie Neustadt	408 593 1,085 323	192 277 554 114	600 870 1,639 437	
					2,409	1,137	3,546	3,546
	TOTAL:				167,568	106,749	274,317	274,317

APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES

GROUPS:

1. Systems established under The Telephone Act by municipal corporations and operated as public utilities.

2. Systems established under The Telephone Act by, and vested in municipal corporations in trust for the benefit of the subscribers and operated by the municipal council or by a commission elected by the subscribers.

3. Incorporated companies.

NOTES:

(A) Main telephones and PBX trunk lines.

(B) Extensions and coin telephones.

(S) Indicates the exchange to which service system lines connect.

APPENDIX (v) COMMISSION ORDERS ISSUED - 1982

ORDER	DATE ISSUED	APPLICANT	PURPOSE	EFFECTIVE
4099	82 01 29	Otonabee Municipal Telephone System	Approval of change in rates for local telephone service	82 01 29
4100	82 02 26	Amtelecom Incorporated	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4101	82 02 26	Blanshard Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4102	82 02 26	Brooke Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4103	82 02 26	Capital Telephone Company, Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4104	82 02 26	Coldwater Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4105	82 02 26	Dryden Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4106	82 02 26	Durham Telephones Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4107	82 02 26	Hay Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4108	82 02 26	Huron & Kinloss Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4109	82 02 26	Hurontario Telephones Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4110	82 02 26	Keewatin Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4111	82 02 26	Lansdowne Rural Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4112	82 02 26	Manitoulin Island Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4113	82 02 26	Mornington Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4114	82 02 26	North Frontenac Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4115	82 02 26	North Norwich Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4116	82 02 26	North Renfrew Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4117	82 02 26	People's Telephone Company of Forest, Ltd.	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4118	82 02 26	Roxborough Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4119	82 02 26	South Bruce Rural Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4120	82 02 26	Thunder Bay Telecommunications	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4121	82 02 26	Tuckersmith Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4122	82 02 26	Westport Telephone Company	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4123	82 02 26	Wightman Telephone Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4124	82 02 12	Northern Telephone Limited	Generic 205 Ext. of SX200 E. Private B.E.S.	82 02 12

APPENDIX (v) COMMISSION ORDERS ISSUED - 1982

ORDER	DATE ISSUED	APPLICANT	PURPOSE	EFFECTIVE
4125	82 02 16	Amtelecom Incorporated	C.R.T.	82 02 16
4126	82 02 16	Amtelecom Incorporated	Evidence of Indebtedness	82 02 16
4127	82 02 26	Bruce Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4128	82 03 03	Lansdowne Rural Telephone Company Limited	Increase in Installation Charges and Pay-Phone Charge	82 03 03
4129	82 03 04	Wightman Telephone Limited	Approval of rate for NE 404-B Type Jack	82 03 04
4130	82 03 04	Kenora Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 03 04
4131	82 03 12	Northern Telephone Limited	Change in late payment charge of overdue accounts	82 03 12
4132	82 03 12	Bruce Municipal Telephone System	Bruce/Bell Canada - Bruce Nuclear Power Development Site	82 03 12
4133	82 03 31	Manitoulin Island Telephone Company Limited	Approval of rates for local telephone service	82 03 31
4134	82 03 31	Northern Telephone Limited	Evidence of Indebtedness (not to exceed $4M)	82 03 31
4135	82 03 31	Dryden Municipal Telephone System	Approval of rates Apartment Enterphone System	82 01 31
4136	82 04 13	Roxborough Telephone Company Limited	Approval of rates Digi-Pulse & Non-Recurring Service Charge	82 04 13
4137	82 04 07	Amtelecom Incorporated	Approval to increase Coin Telephone Charges (0.25)	82 04 07
4138	82 04 07	Amtelecom Incorporated	Evidence of Indebtedness ($3,630,000)	82 04 07
4139	82 04 07	Westport Telephone Company Limited	Approval of rates for SK-1 Telephone Systems	82 04 07
4140	82 04 15	Northern Telephone Limited	Change in depreciation rates	82 04 15
4141	82 04 23	Cochrane Public Utilities Commission	Approval for late filing of Annual Returns	82 04 23
4142	82 04 23	Coldwater Municipal Telephone	Approval for late filing of Annual Returns	82 04 23
4143	82 04 23	Northern Telephone Limited	Approval of By-Law No. 9 (Director's Fees)	82 04 23
4144	82 05 03	Northern Telephone Limited	Approval of Rates - Vantage 12 and SM-1 Systems	82 05 03
4145	82 05 07	Amtelecom Incorporated	Approval of late payment charge on overdue accounts	82 05 07
4146	82 05 18	Northern Telephone Limited	Approval of an Issue of Debentures	82 05 18
4147	82 05 18	Northern Telephone Limited	Evidence of Indebtedness $4,000,000	82 05 18
4148	82 05 31	North Norwich Municipal Telephone System	Evidence of Indebtedness $125,000	82 05 31
4149	82 05 31	Thunder Bay Telecommunications	Evidence of Indebtedness $2,547,000	82 05 31

APPENDIX (v) COMMISSION ORDERS ISSUED - 1982

ORDER	DATE ISSUED	APPLICANT	PURPOSE	EFFECTIVE
4150	82 05 31	Northern Telephone Limited	Amendment to Order No. 4147	82 05 31
4151	82 06 09	Northern Telephone Limited	Approval of Additional Revenue Requirement	82 06 09
4152	82 06 23	Northern Telephone Limited	Approval of Rate Structure	82 06 23
4153	82 06 23	Thunder Bay Telecommunications	Approval of Additional Revenue Requirement	82 06 23
4154	82 06 30	Hay Municipal Telephone System	Approval of N.S.F. cheque charge	82 06 30
4155	82 06 30	Hurontario Telephones Limited	Approval of Special Resolution	82 06 30
4156	82 06 30	Huron & Kinloss Municipal Telephone System	Approval to levy Deposit Charges and N.S.F. Cheque Charges	82 06 30
4157	82 06 30	Huron & Kinloss Municipal Telephone System	Approval of Non-Recurring Service Charges and Pay Phone Charges	82 06 30
4158	82 06 30	Dryden Municipal Telephone System	Approval of Public/Semi-Public minimal revenue guarantee	82 06 30
4159	82 06 30	Wightman Telephone Limited	Approval of Rate for Signal Circuit	82 06 30
4160	82 06 30	Cochrane Public Utilities Commission	Approval of T/A and Appendices "A" to T/A with ONTC	82 06 30
4161	82 06 30	Cochrane Public Utilities Commission	Approval of Traffic Agreement and Appendices	82 06 30
4162	82 06 30	Kenora Municipal Telephone System	Approval of Additional Revenue Requirement	82 06 30
4163	82 07 06	Otonabee Municipal Telephone System	Approval of Revised Traffic Agreement with Bell Canada	82 07 06
4164	82 07 23	Amtelecom Incorporated	Approval of Special Resolution By-Law No. 50	82 07 23
4165	82 07 23	Hay Municipal Telephone System	Approval to Increase Telephone Coin Charge	82 07 23
4166	82 07 23	Tuckersmith Municipal Telephone System	Approval of Late Payment Charge on Overdue Accounts	82 07 23
4167	82 07 23	Tuckersmith Municipal Telephone System	Setting Terms & Cond'ns for service (Wildwood Campers Asso'n)	82 07 23
4168	82 07 27	Thunder Bay Telecommunications	Approval of Connection/Napco DD485 Digital Dialer to TB Tel.	82 07 27
4169	82 07 27	Lansdowne Rural Telephone Company Limited	Approval of Connection CK530 Key System to Lansdowne Telephone	82 07 27
4170	82 07 27	Thunder Bay Telecommunications	Approval of Connection of the Protect Alert to TB Telecom.	82 07 27
4171	82 07 29	Hay Municipal Telephone System	Approval of rates for Custom Calling Features	82 07 29
4172	82 08 20	Zenith Radio Corporation	Approval of Connection of Zenith Advanced Space Phone	82 08 20
4173	82 08 20	Xerox Canada	Approval of Connection of TC 455 Telecopier	82 08 20
4174	82 08 20	Telautograph Corporation	Approval of Connection of OMNIFAX	82 08 20

APPENDIX (v) COMMISSION ORDERS ISSUED - 1982

ORDER	DATE ISSUED	APPLICANT	PURPOSE	EFFECTIVE
4175	82 09 14	Manitoulin Island Telephone Company Limited	Approval of Late Payment charge on Overdue Accounts	82 09 14
4176	82 09 15	Northern Telephone Limited	Approval of Agreement Rev. App. "A", Sec. 1 to T/A with ONTC and to change Rate Group 3 in Detour Lake exchange	82 09 15
4177	82 09 28	Northern Telephone Limited	Amendment to Order No. 4140	82 09 28
4178	82 09 28	Northern Telephone Limited	Approval of rates - SX20 Electronic PABX Equipment	82 09 28
4179	82 09 30	People's Telephone Company of Forest Ltd.	Approval of Coin Telephone Charge	82 09 30
4180	82 10 15	Gosfield North Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 10 15
4181	82 10 18	Dryden Municipal Telephone System Limited	Approval of rates for SL1 PABX System	82 10 18
4182	82 10 18	Thunder Bay Telecommunications	Approval to exempt 404B-Type Jacks from monthly tariff	82 10 18
4183	82 10 26	City of Thunder Bay	Approval of Visual Ear and Teletype Equipment Connection	82 10 26
4184	82 10 29	Northern Telephone Limited	Amendment to Order No. 4177, Section 1.4	82 10 29
4185	82 10 29	Thunder Bay Telecommunications	Amendment to Order No. 4153, Section 10	82 10 29
4186	82 11 03	Northern Telephone Limited	Approval of connection of customer-provided Terminal Equipment	82 11 03
4187	82 11 18	Ontario Telephone Service Commission	Uniform System of Accounts for Independent Telephone Systems	82 11 03
4188	82 11 18	The Commission on its own motion	Approval of Interconnection of cust. provided Terminal Equipment	82 11 18
4189	82 12 07	South Bruce Rural Telephone Company	Approval of revised ANI Agreement - App. 2, Sec. 2.7	82 12 07
4190	82 12 15	Hay Municipal Telephone System	Amendment to Order No. 3561 - Four Party Rates	82 12 15
4191	82 12 15	North Norwich Municipal Telephone System	Approval of security deposit (Res. $75.00/Bus.$150.00)	82 12 15
4192	82 12 17	Northern Telephone Limited	Approval to change depreciation rates and include 1981 True-Up Appendix B 1980, re Order Nos. 4082, 4083, 4084	82 12 17
4193	82 12 20	Wightman Telephone Limited	Approval to change depreciation rates	82 12 20
4194	82 12 21	Amtelecom Incorporated	Amending Order Nos. 4138/4126/3747 - Evidence of Indebtedness	82 12 21

APPENDIX (vi)

ORDERS OF JUDGEMENT OF THE COMMISSION

4099 IN THE MATTER of an application by the commissioners for the telephone system of the Municipality of Otonabee for approval of a change in rates for local telephone service.

4125 IN THE MATTER of an application by Amtelecom Incorporated for approval of a Comparative Requirements Test Supplement Agreement with Bell Canada.

4133 IN THE MATTER of an application by The Manitoulin Island Telephone Company Limited for approval of a change in rates for local telephone service.

4151 IN THE MATTER of an application by Northern Telephone Limited for approval of a change in rates for telephone service.

4153 IN THE MATTER of an application by the Corporation of the City of Thunder Bay for approval to change the rates for local telephone service.

4162 IN THE MATTER of an application by the Corporation of the Town of Kenora for approval to change the rates for local telephone service.

4167 IN THE MATTER of an application by the Wildwood Campers Association in regard to the setting of terms and conditions for the provision of telephone service by the Tuckersmith Municipal Telephone System.

4187 IN THE MATTER of a Uniform System of Accounts for the Telephone Systems in Ontario.

4188 IN THE MATTER of the interconnection of customer provided terminal equipment to the facilities of the telephone systems subject to the jurisdiction of Ontario.

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4099

Friday, the 29th day of January, A.D. 1982

BEFORE

W. Bielski, Q.C.
Chairman

M.E. Parry
Member, and

E.A. Frith
Member

IN THE MATTER of sections 6(1), 61(1) and 105 of The Telephone Act (RSO 1980, c.496)

and

IN THE MATTER of an application by the commissioners for the telephone system of the Municipality of Otonabee for approval of a change in rates for local telephone service.

HEARD AT: Keene, October 22, 1981

APPEARANCES:

For the Applicant:
Mr. J. MacKelvie, Commissioner
Mr. A. Davidson, Commissioner
Mr. J.D. Coit, Secretary-Treasurer
Mr. J. Johnson, Manager

For the Municipal Council: Mr. Nelson, Reeve

1.0 ORDER

1.1 UPON THE APPLICATION of the commissioners for the telephone system of the Township of Otonabee, hereinafter referred to as the Applicant, upon reading the application and other material filed and upon evidence presented during the hearing,

1.2 THE COMMISSION AUTHORIZES under and in pursuance of sections 6(1), 61(1) and 105 of The Telephone Act (R.S.O. 1980, c.496) the Applicant to increase local service rates to generate additional annual revenues of approximately $17,800 based upon the number of local service revenue producing units as of December 31, 1980.

1.3 THE COMMISSION APPROVES under and in pursuance of sections 6(1), 61(1) and 105 of The Telephone Act (R.S.O. 1980, c.496), the local telephone service rates and non-recurring service charges in accordance with section 10 of this Order, to become effective on or after the first day of February, 1982.

2.0 BACKGROUND

The Applicant filed an application for approval of changes in local telephone rates and non-recurring service charges on July 21, 1981. It was estimated by the Applicant that the increase would result in additional annual revenues of approximately $17,800 and would require an average rate increase of approximately 16.8 percent.

On August 12, 1981, the Applicant mailed a Notice of Application to each customer which set out the present and proposed rates. Written interventions were to be filed with the Commission on or before September 12, 1981. The Commission received two written submissions in response to the Notice.

Notice of the public hearing in Keene was placed in the newspaper which serves the territory in which the Applicant operates. The hearing was subsequently held in the Otonabee Municipal Arena on October 22, 1981, at which time the Commission asked the Applicant a series of detailed financial questions.

3.0 TEST YEAR

The use of a test year for a revenue requirement calculation permits the Applicant and the Commission to focus on a set of financial data for a particular operating period adjusted to annualize known changes which have occurred or may occur within the operating period. The changes in revenues, expenses, etc., occurring within the year will only have a partial year's effect in the test year. However, since a full year effect will be realized in future periods, an annualizing adjustment must be made. This permits a more accurate calculation of rates which will be sufficient for future periods.

When the application was filed in July, the Applicant proposed the use of a 1981 calendar year as the test year. The Applicant made use of six months actual data, which was available at that time and provided estimates for the remaining six months.

In most cases, it is the Commission's preference to employ a future or a current test year instead of an historic test year. This approach facilitates a determination of rates which

will be sufficient to allow the telephone system to pay the cost of operation and maintenance of the system, and the instalments of principal and interest on any outstanding debentures in the present or future periods. However, before a current or future test year can be employed, the Commission must be assured that the forecasts are reasonably reliable and that the estimates were made only after all relevant factors have been taken into account.

During the financial hearing of October 22, 1981, the Applicant was asked a series of questions regarding the forecasts, particularly revenues and expenses for the period July to December, 1981. Although the Commission is impressed with the Applicant's effort to forecast for the purpose of the rate application, the Commission is also aware that the Applicant did not calculate the impact of upgrade program, increase in toll revenues and revisions to the Alternate Appendix B to the Traffic Agreement.

Therefore, the Commission is not confident that the use of a 1981 test year would result in a reasonably reliable calculation of an additional revenue requirement and the Commission has decided instead to employ the actual 1980 fiscal year as the test year.

4.0 REVENUES

The Commission has examined local telephone service and other operating revenue and finds them reasonable for the purpose of determining an additional revenue requirement. The Commission also examined toll revenue and has made two adjustments as outlined below.

4.1 Toll Revenue

Two events occurred in 1980 which had an influence on the Applicant's toll revenue. A revised Alternate Appendix B to the Traffic Agreement came into effect on June 21, 1980 and a Bell Canada toll rate increase came into effect on September 1, 1980.

The Commission has decided to employ 1980 as the test year for the purpose of determining a revenue requirement for the Applicant. Changes occurring within the test year should be annualized in order to assess the additional annual revenues that will be realized in future periods. Therefore, the Commission has made two adjustments to the Applicant's toll revenue figure for 1980.

4.1.1 *Alternate Appendix B*

On October 22, 1980, the Commission issued Order No. 3990 which approved the revised Alternate Appendix B to the Traffic Agreement between the Applicant and Bell Canada. The Alternate Appendix B which was signed on October 1, 1980 and was retroactive to June 21, 1980, provided the Applicant an additional 10 percent in toll revenue over the amount received under the previous Alternate Appendix B.

The Applicant's toll revenue figure incorporates a six month effect. However the effect should be annualized in order to account for the full impact that will be realized in future years. Therefore, the Commission adjusted the toll revenue figure by $4,843.

4.1.2 *Toll Rate Increase*

The Canadian Radio-television and Telecommunications Commission approved Bell Canada's application for a toll rate increase, between toll centers in Ontario and Quebec, effective September 1, 1980. This increase also affected the independent telephone systems' toll revenue.

The toll rate increase resulted in additional annual toll revenues of approximately 11.5 percent.

The toll revenue figure filed in Exhibit 2, page 5, includes a four month effect. In order to annualize this effect the Commission has adjusted the toll revenue figure by $8,477.

4.2 Uncollectible Revenue

As a result of the adjustments made to toll revenue in section 4.1 of this Order, uncollectible revenue has been adjusted proportionately.

4.3 Summary of Adjustments to 1980 Revenues

In Table 1 the Alternate Appendix B adjustment of $4,843 and the toll rate increase of $8,477 have been combined for a total long distance revenue adjustment of $13,320.

TABLE 1

Commission Adjustment to 1980 Revenues

	Otonabee's Actuals	Commission Adjustment	Revised Revenues
Local Service	$ 53,715		$ 53,715
Long Distance	84,359	$ 13,320	97,679
Miscellaneous	48,031		48,031
Less: Uncollectible Revenue	(2,500)	(179)	(2,679)
Total Operating Revenues	$183,605		$196,746

5.0 EXPENSES

The Commission has examined the Applicant's 1980 expenses and has found them acceptable with one exception as follows:

5.1 Depreciation

In April 1976 the Commission issued Order No. 3437 in response to a rate application filed by the Applicant in October 1975. In that Order the Commission ordered that the Applicant calculate depreciation on a straight line basis. The Commission also specified the depreciation rates to be employed for each of the following categories; buildings, furniture and fixtures, tools and equipment, plant, and vehicles.

When the current rate application was filed, the Applicant did not calculate any amount for depreciation either for the proposed 1981 test year, or for the 1980 test year which the Commission has decided to employ.

On September 18, 1981, the Applicant submitted Exhibit 4, a revised calculation of the additional revenue requirement which included an amount for depreciation expense for 1981 only. The Applicant also filed working papers and depreciation schedules as support information for Exhibit 4. The Commission has examined this material very carefully and has found a number of problems in the calculation. Firstly, depreciation expense was calculated using the declining balance method. This is clearly contrary to Commission Order No. 3437 where the Commission ordered the use of the straight line method. Calculating depreciation expense based on the declining balance method instead of the straight line method will result in a lower depreciation expense for the test year.

Secondly, the Applicant was also directed, in Order No. 3437, to use a depreciation rate between 15.0 and 20.0 percent for vehicles. In Exhibit 4 a depreciation rate of 10 percent was employed to calculate 1980 vehicle depreciation expense. This also has the effect of underestimating 1980 depreciation expense.

Finally, the Commission identified mathematical errors in the depreciation schedule prepared for the years 1960 to 1975 inclusive. During the financial hearing of October 22, 1981, Mr. Coit, witness for the Applicant, was asked to explain the calculation of depreciation on the schedule from Exhibit 4. Mr. Coit admitted that he did not know how the depreciation expense had been calculated and agreed that it did not appear to be correct.

The Commission has recalculated the 1980 depreciation expense employing the depreciation rates approved in Order No. 3437 on a straight line basis. As a result, the Commission has determined that the appropriate 1980 depreciation expense, for the purpose of determining an additional revenue requirement is $46,757.

6.0 REVENUE REQUIREMENT

The calculation of an additional revenue requirement is based on a 1980 test year for the purposes of this application. The subject of test year and the Commission's findings with respect to this matter are presented in section 3.0 of this Order.

Table 2 presents the 1980 income statement reflecting the Applicant's submission and the Commission's adjustments. Table 3 presents the calculation of the additional revenue requirement and is based, in part, on certain adjustments made by the Commission as a result of their findings.

Section 61 of The Telephone Act (R.S.O. 1980, c.496) provides that "The Commission may from time to time inquire whether the rates and tolls charged for the service rendered by municipal telephone systems are sufficient to pay the cost of operation and maintenance of the system and the instalments of principal and interest on any outstanding debentures ...." Table 3 details each of these components in the calculation of the Applicant's additional revenue requirement.

TABLE 2

OTONABEE MUNICIPAL TELEPHONE SYSTEM

Income Statement
For the Test Year ended December 31, 1980

	Exhibit 4	Commission Adjustments	Revised Income Statement
Revenue:			
1. Local Service	$ 53,715		$ 53,715
2. Long Distance Service	84,359	$ 14,320	97,679
3. Miscellaneous Operating	48,031		48,031
4. Less: Uncollectible	(2,500)	(179)	(2,679)
5. **Total Operating Revenue**	$183,605		$196,746
Expenses.			
6. Maintenance	$ 80,060		$ 80,060
7. General Office	35,841		35,841
8. Depreciation	0	$ 46,757	46,757
9. Interest other than debenture interest	13,779		13,779
10. **Total Expenses Excluding Debenture Interest**	$129,680		$176,437
11. Debenture Interest	44,555		44,555
12. **Total Expenses**	$174,235		$220,992
13. **Net Income (Loss)**	$ 9,370		$(24,246)

TABLE 3

OTONABEE MUNICIPAL TELEPHONE SYSTEM

**Statement of Additional Revenue Requirement
For the Test Year ended December 31, 1980**

1.	Total expenses excluding debenture interest (Table 2 line 10)	$176,437
2.	Payments of principal (Exhibit 4)	17,000
3.	Payments of interest expense on outstanding debentures (Table 2 line 11)	44,555
4.	**Revenue Requirement**	$237,992
5.	Total operating revenue (Table 2 line 5)	196,746
6.	**Additional Revenue Requirement**	$ 41,246

Table 3, above, calculates an additional revenue requirement of $41,246 based on a 1980 test year. The Commission notes however, that the Applicant has applied for total additional annual revenues of approximately $17,800. Although the revised rate structure proposed by the Applicant, and approved in section 10 of this Order, will not generate the additional revenue requirement calculated in Table 3, the Commission notes that the Applicant can expect to earn additional toll revenues which have not been considered in this Order. Effective October 1, 1981, toll rates increased for long distance calling between Ontario and Quebec, and there has been a 5% increase in the Applicant's toll retention as a result of a revised Alternate Appendix B signed by the Applicant and Bell Canada. Furthermore, the Applicant indicated to the Commission during the public hearing of October 22, 1981, that the recent upgrade program in the Keene exchange would result in an increase in local telephone service revenues in 1981.

7.0 CONSTRUCTION PROGRAM

In Exhibit 4 of the application, the Applicant summarized the construction program for the years 1981 to 1985 inclusive. The Commission has noted that the program has appeared to be well thought out and will provide a better quality of service to the customers in the Keene exchange while remaining within the financial means of the telephone system.

During the public hearing of October 22, 1981, the Commission asked the Applicant a number of questions regarding the proposed construction program, particularly in regard to the upgrading program. The Applicant had approximately 389 multi-party customers at December 31, 1980. This is approximately 44% of the System's customers, a substantial reduction from 76% multi-party customers in 1975. The Commission notes that it is the Applicant's intention to upgrade all of its customers to a minimum of four party service by year-end 1985. However, Mr. Coit, witness for the Applicant, also indicated that the five-year construction program and budget is examined in detail on an annual basis and is revised accordingly. The Commission is pleased to learn that the Applicant is taking such

an organized and systematic approach to their construction program and encourages the Applicant to continue in this regard.

8.0 FINANCING

It was indicated to the Commission that the schedule for the construction program is dependent, to a great extent, on the financing available. The Commission was told that in July of 1980, after the Applicant received approval from its subscribers to issue debentures, the municipal council was requested to issue debentures for $150,000 for use by the telephone system. Mr. MacKelvie, member of the Commission of the Otonabee Municipal Telephone System, informed the Commission that the municipal council denied the request. Mr. Nelson, Reeve of the Council, explained the reasons for the council's decision:

> A year ago they were turned down on the debenture issue mainly – not because of the amount of money but because of the lack of income .....
>
> ..... I think in two years time they will want more money with capital debentures and their income would justify it and I can't see why council wouldn't agree with giving them more money, but the reason we had to turn it down a year ago was it didn't look like the income was coming in order to do that.

The Commission believes that prudent decisions regarding the issuance of debentures is of absolute importance for the successful operation of a telephone system. However, when the issuance of debentures is indicated, the Commission believes that the telephone system should receive the co-operation of all those necessary in order to successfully complete such a transaction. The Commission encourages the Applicant to review its financial requirements periodically and to request the municipal council to issue debentures when it is indicated that they are required. It is within the Ontario Telephone Service Commission's jurisdiction and responsibility to ensure that an efficiently operated municipal telephone system has sufficient revenues to service any outstanding debentures. Section 61 of The Telephone Act (R.S.O. 1980, c.496) states:

> **The Commission** may from time to time inquire whether the rates and tolls charged for the service rendered by a municipal telephone system are sufficient to pay the cost of operation and maintenance of the system and the instalments of **principal and interest on any outstanding debentures**, of whether greater rates are charged than are sufficient for such purposes, and **the Commission may order such revision or adjustment of the rates or tolls as it deems proper**.....(emphasis added).

Furthermore, section 69(2) of The Telephone Act makes it clear that although the commissioners of the Otonabee Municipal Telephone System are responsible for the proper operation of the telephone system, the municipal council has a duty to ensure that the Applicant receives sufficient financing for the establishment and maintenance of the system.

> The election of the commissioners does not affect the ownership of the system nor the authority **and duty of the initiating municipality** to provide from time to time all the monies required for the establishment and maintenance of the system and any extension thereof.....(emphasis added).

9.0 COMMENT

The Commission received only two written submissions and in light of the fact that the Notice of Application was mailed to about 880 customers, the Commission considers this to be a good indication that there is a high degree of satisfaction among the Applicant's customers. To a large extent, the quality of service is a result of the diligent planning by the commissioners of the Otonabee Municipal Telephone System and the effort and interest exhibited by the office and plant employees.

It is the Commission's opinion that success of the construction program over the last four years and the future construction program to 1985 results primarily because of the commitment of the commissioners. The Commission realizes that the planned construction program to upgrade all rural customer service to a minimum of four-party service is a large undertaking for a telephone system the size of the Applicant's. However, the Commission encourages the Applicant to continue to review the construction program and to be diligent in the completion of the program by 1985.

The satisfaction of the Applicant's customers is only due in part to the quality of service provided. The Commission was also very impressed with the communication between the telephone system and the customers. During the public hearing of October 22, 1981, Mr. J. MacKelvie, member of the commission of the Otonabee Municipal Telephone system related to the Commission how the Applicant had set up a booth during a craft day in Keene, which highlighted the fact that the Otonabee Municipal Telephone System was a system which actually belonged to the subscribers in the territory. A number of charts were displayed which demonstrated the growth and development of the system and an antique telephone was included in the booth for educational and historical information. Mr. MacKelvie, also explained to the Commission how members of the commission of the Otonabee Municipal Telephone System, personally visit customers on multi-party lines if they are having problems or if they are thought to be the cause of a problem. The Commission highly commends the commissioners for taking such an approach and believes that this is not only of great benefit to the customers but also to the telephone system.

10.0 RATE STRUCTURE

10.1 Basic Monthly Exchange Rates

		Business	Residential
1.	On Individual Lines	15.00	7.10
2.	On Two-Party Lines	12.00	5.60
3.	On Multi-Party Lines	7.50	4.60
4.	On Extensions (Excluding PBX)	2.75	1.95

10.2 Mileage Charges

	Monthly Charge for each Quarter Mile or Remaining Fraction
Individual Line	.85
Two-Party Line	.50

Extra exchange mileage charges for individual and two-party business and residence service will apply when these services are provided outside the Base Rate Area of the exchange but within the exchange area. The charges are based on the airline distance between the building in which the telephone or switchboard is located and the nearest point on the boundary of the Base Rate Area.

10.3 Supplementary Services and Equipment

		Residential and Business
1.	Jacks	0.45
2.	Extension Bell — Large	0.85
	— Small	0.60
3.	Styline/Contempra	2.10
4.	Hard of Hearing Handset	1.60
5.	Claxton Horns	2.85
6.	Answering Service	15.00
7.	Key Phone	2.65
8.	Rotary Hunting	2.55
9.	Extra Listing	0.55
10.	Unlisted Number	1.10

10.4 Non-recurring Service Charges

I. ELEMENTS OF SERVICES AND CHARGES

SERVICE ELEMENTS	CHARGES	
	Business	Residence
A. Order Processing	9.00	5.00
B. Network Connection	13.00	9.00
C. Customer-premise Work	23.00	13.00

II. SERVICE AND CHARGES

SERVICES	CHARGES	
	Business	Residence
1. Install new main telephone service (A+B+C)	45.00	27.00
2. Reinstall main telephone instrument in place (A+B)	22.00	14.00
3. Reconnect main service instrument not in place (A+B+C)	45.00	27.00
4. Reconnect main service with instrument in place (A+B)	22.00	14.00
5. Change telephone set (A+C)	32.00	18.00
6. Change class of service and number (A+B+C)	45.00	27.00
7. Install first extension not with main phone (A+C)	32.00	18.00
8. Install additional extension (A+C)	32.00	18.00
9. Install one extension with main telephone (at same time as main) (A)	9.00	5.00
10. Install bell chimes, keys and jacks (A+C)	32.00	18.00

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4125

Tuesday, the 16th day of February, A.D. 1982

BEFORE

V.W. Bielski, Q.C. Chairman	)	IN THE MATTER of sections 6(1), 96(1) and 96(3) of The Telephone Act (R.S.O. 1980, c.496)
F.D. Wall Vice Chairman	)	and
E.A. Frith Member	)	IN THE MATTER of an application by Amtelecom Incorporated for approval of a Comparative Requirements Test Supplement Agreement with Bell Canada
M.E. Parry Member	)	
D. Austin Member, and	)	
G. Klosler Member	)	

1.0 ORDER

1.01 UPON THE APPLICATION of Amtelecom Incorporated hereinafter referred to as the Applicant, upon reading the said application and other material filed,

1.02 WHEREAS the Applicant's financial situation requires improvement,

1.03 AND WHEREAS the Applicant has applied to Bell Canada on or about March 1, 1981 for supplementary revenues based on a concept identified as the comparative requirements test, and supplementary to revenues provided under the existing commission and line haul agreement under the Alternate Appendix B plan,

1.04 AND WHEREAS the Applicant and Bell Canada have mutually agreed to the methodology as set out in Appendix A of the Comparative Requirements Test (CRT) Supplement Agreement, for the test period ending August 31, 1981,

1.05 AND WHEREAS the Applicant and Bell Canada have agreed to the amounts for the test period ending August 31, 1981,

1.06 AND WHEREAS the Applicant was to receive a one time credit of $74,686 as agreed by the Applicant and Bell Canada on or about September 8, 1981,

1.08 THE COMMISSION HEREBY APPROVES under and in pursuance of sections 6(1) and 96(1) of The Telephone Act (R.S.O. 1980, c.496), the Comparative Requirements Test (CRT) Supplement Agreement, dated September 8, 1981.

1.09 WHEREAS the methodology as set out in Appendix A of the Comparative Requirements Test (CRT) Supplement Agreement is contrary to the methodology as set out in Commission Order Nos. 3931, 4017, and 4067,

1.10 THE COMMISSION DIRECTS under and in pursuance of sections 6(1), and 96(3) of The Telephone Act (R.S.O. 1980 c.496) that any and all future Comparative Requirements Test (CRT) Supplement Agreements be in accordance with Orders issued by the Commission.

2.0 REASONS

On September 9, 1981, Amtelecom Inc. submitted an application for approval of a Comparative Requirements Test (CRT) Supplement Agreement. The Applicant and Bell Canada mutually agreed to employ a methodology identified as the comparative requirements test to determine the appropriate amount of a supplement. In the Agreement, dated September 8, 1981, Bell Canada proposed to credit the Applicant in the amount of $74,686 which was calculated with the methodology of the CRT as described in Appendix A of the Agreement. Also, the CRT Supplement Agreement specified that, Bell Canada may recalculate the CRT supplement within six months after the end of the test period that is, within six months after August 31, 1981. The appropriate party was to pay the difference between the $74,686 and the recalculated CRT supplement. The CRT Supplement Agreement also specifies that it was conditional upon approval from the appropriate regulatory agencies.

The Commission has reviewed the terms and conditions of the CRT Supplement Agreement, as outlined above, and finds it acceptable for the purpose of the $74,686 CRT

supplement and as a result the CRT Supplement Agreement has been approved in section 1.08 of this Order.

Notwithstanding the fact that the Agreement has been approved, the Commission has serious concerns. The methodology employed in Appendix A of the CRT Supplement Agreement is neither adequate nor acceptable for a toll settlement. As a matter of principle the Commission believes it is of the utmost importance that the inconsistencies and the contradiction between Appendix A to the Agreement and recent and relevant Commission Orders be illustrated in this Order. The methodology and the decisions of the Commission as documented in Commission Orders supercede any agreement made by the Applicant and this must be understood by the Applicant.

The specific areas where the Commission Orders are contradicted by the methodology employed in Appendix A of the CRT Supplement Agreement is examined in detail in this Order. It should be emphasized again that although the Commission has approved the CRT Supplement of $74,686 the Commission does not condone or concede of the methodology used to calculate the $74,686.

Before fully documenting the inadequacies and deficiencies of the methodology employed to calculate the CRT Supplement it is necessary to review the relevant Commission Orders and to review the development of the original Comparative Requirements Test which led to the application made by Amtelecom Inc. for approval of this CRT Supplement Agreement. The Comparative Requirement Test (CRT) originated as a result of an application filed by the City of Prince Rupert, in December 1976 to the Canadian Radio-television and Telecommunications Commission (CRTC). The CRTC was asked to consider a dispute between B.C. Telephone and the City of Prince Rupert regarding the separation of gross toll revenue. As a result, the CRTC appointed a Committee of Inquiry, which was charged with the responsibility to investigate the issues on an informal basis and attempt to complete a report and recommendations. The Committee found it necessary to begin the examination by reassessing first principles and developing an alternative approach to traffic settlements. This necessary work resulted in the Committee of Inquiry's final report in December, 1978.

In March, 1979 the CRTC issued Telecom Public Notice 1979-11 which invited comments on the Report of the Committee of Inquiry into the City of Prince Rupert, Connecting Agreement with B.C. Telephone Company dated December 27, 1978 (Prince Rupert Report). A number of interested parties responded by filing written comments and after all submissions had been received the CRTC issued Telecom Decision CRTC 79-21. It was concluded that:

> .....the Commission is prepared to accept the committee's recommended approach to the determination of an appropriate commission rate for the City in the present case, including the use of the comparative requirements test formulated by the committee. While the Commission recognizes that the cost and other difficulties associated with the test, many of which were noted by the intervenors, may raise certain questions about its general applicability, the Commission considers that in the present case the test was properly applied and that the committee exercised its judgement reasonably with respect to the City's construction program, quality of service and accounting procedures.

Simultaneous to the City of Prince Rupert Application, the ensuing work by the Committee of Inquiry and the CRTC decision, two rate applications were submitted by Amtelecom Inc., and its wholly owned subsidiary, the Taylor Telephone Company Limited. The rate application filed by the Taylor Telephone Company Limited in May 1978 indicated that a "financial emergency" existed. As a result, the Commission approved an interim rate increase in Order No. 3732. When the financial analysis of the rate application had been completed and the Commission had provided the opportunity for a public hearing, Order No. 3787 was issued in December 1978. Although an increase in local rates was approved, the Commission expressed serious concern over the fact that local service rates are the major source for additional revenues required by stating that:

> Although the Commission recognizes the differences in geographic conditions, distribution of subscribers, and the number of subscribers served, necessarily result in a higher cost of providing service in certain areas, the Commission is concerned with the rapidly growing variance between rates for similar service. The question that requires consideration, not only by the Commission, but also by the telephone systems providing service in the Province, is to what extent can this variance be allowed to grow.
>
> The Commission, at this time, wishes to suggest that the telephone systems give this question serious consideration. The Commission is also convinced that, with the expertise and practical experience which exists in the telephone industry, a **viable solution to this dilemma can be found.** (emphasis added)

A "viable solution" was of particular importance to the Taylor Telephone Company Limited since there was a large additional revenue requirement over and above that which was generated by the local service rate increase.

The Commission's concern was heightened upon receiving a rate application from Amtelecom Inc. in October 1979. Although the Applicant did not request an interim rate increase, the Commission recognized an immediate and critical financial requirement, and in Order No. 3931 approved an interim rate increase. However, the problems encountered in the Taylor Telephone Company Limited rate application were raised again in the Amtelecom Inc. rate application.

In Order No. 3931, the Commission observed that:

> The Commission in reviewing the application, as filed, was particularly struck by the fact that the Applicant was seeking only $195,300 from an increase in local revenues out of a total calculated (additional) revenue requirement of $546,805.
>
> It is clear to the Commission ..... that the Applicant ..... is making a conscientious attempt to ensure that not only are the local exchange rates just and reasonable given the cost of providing service, but are comparable for similar service being provided by other telephone systems in the Province.
>
> Having said this, the Commission cannot ignore the fact that the revenues that will be generated by the increased local exchange rates, herein approved, will fall substantially short of the revenue requirement of the Applicant.

The dilemma is aggravated by the fact that the toll revenue settlement of most of the independent telephone systems in Ontario is based upon the Alternate Appendix "B" schedule. The Alternate Appendix "B" schedule is an inadequate method of dividing gross toll revenues between the independent telephone systems and Bell Canada. A more apt settlement would be one which is based upon the costs of providing toll service. This position was expressed in Order No. 3931.

> The Commission is in full agreement with the conclusion of the CRTC that the development of a uniform Canadian cost separation methodology and a uniform system of accounts is appropriate for inter-company settlements and that the implementation of a cost-based approach requires the development of an appropriate methodology to allocate telephone plant investment and expenses between local and long distance uses.

The Commission recognized that "such a cost-based methodology to inter-company settlements is not possible within the foreseeable future". Nevertheless, the financial situation of Amtelecom Inc. as well as other independent telephone systems operating in Ontario required an immediate review of the toll settlement procedures:

> Although the present situation of the Applicant is not parallel to that of the City of Prince Rupert, the Commission is of the opinion that the issues identified in that case must now be addressed in respect to the procedures by which the independent telephone companies in Ontario share revenues generated through the exchange of long distance calls between their telephone subscribers and those of Bell Canada. (sic)

The work completed by the Committee of Inquiry provided a reasonable and expedient approach to the problem of the appropriate division of toll revenues and in the opinion of the Commission is the best approach available until such time as a cost based methodology can be developed and implemented.

> The Commission is of the opinion that this [the Committee of Inquiry's six "fundamental principles"] could be an appropriate starting point for a positive review of the present traffic agreement.
>
> Should such an approach be considered, the Commission is confident of an early resolution of some of the issues with respect to the procedures by which telephone companies share toll revenues in the Province of Ontario, and the Commission will expect to receive an agreement for approval from the Applicant which reflects such resolution.

It is important to note here that a cost based methodology for the division of toll revenues is still anticipated by the Commission, and that the uniform system of accounts developed by the Commission will aid in the development of a cost based toll settlement methodology. However, the Commission is concerned that the development of a cost based methodology not only results in a fair division of gross toll revenues but that any settlement plan not be too cumbersome or expensive for the independent telephone systems to implement. While the development of a cost based methodology which is both fair and relatively simple to administer is not an easy task, the Commission believes that it is a reasonable objective and one which can be achieved by all parties concerned.

Order No. 4017 was issued on December 17, 1980 which approved a final increase in local rates for the Applicant. The Commission observed that even after the additional revenues had been taken into account, there was still an additional revenue requirement of approximately $359,400. The Commission concluded by stating:

> Given the current financial position of the company, it is imperative that the matter of the additional revenue requirement be addressed by the Applicant.

The Commission received a letter from the Applicant dated February 2, 1981, informing the Commission of its intention to apply under section 96(2) of The Telephone Act to have the terms and conditions of the Traffic Agreement set by the Commission unless a new settlement could be negotiated with Bell Canada by April 20, 1981.

The Applicant also notified Bell Canada that it was its intention to withhold revenues from Bell Canada to make up the additional revenue requirement identified by the Commission in Order No 4017, unless a new traffic settlement could be negotiated by April 20, 1981.

On April 9, 1981, the Applicant informed the Commission in writing that much progress had been made. On July 21, 1981 the Applicant submitted a copy of Bell Canada's calculation of the CRT Supplement to the Commission. The submission was not a formal agreement but only a document for discussion purposes between the Applicant and Bell Canada. Bell Canada proposed to credit the Applicant $74,686, an amount which represented the Applicant's required supplement for the period of March 1, 1981 to August 31, 1981, as calculated by both parties. The two parties formalized the agreement on September 8, 1981, and shortly thereafter the Commission received the signed Agreement for approval pursuant to section 96(1) of The Telephone Act.

The Commission is primarily concerned because the approach used in the CRT Supplement Agreement is in direct contradiction of existing Commission decisions on similar or identical issues. It should be emphasized at the outset, that pursuant to The Telephone Act, section 12, "The Commission may from time to time inquire whether the rates and tolls charged for the service rendered by a telephone system ..... are sufficient to pay the funded debt and interest accruing thereon and the cost of operation and maintenance and a reasonable return on capital investment ....." It should also be noted that Order No. 4067 in respect to the Applicant's rate application was issued in August of 1981 whereas the application for approval of the CRT Supplement Agreement was not received until September, 1981.

Order No. 4067 was issued as a result of a rate application filed by Amtelecom Inc. in March, 1981. In dealing with the rate application the Commission examined the calculation of the rate base, working capital, rate of return, acquisition adjustment and the cost of equity. These are the same areas which were examined for the calculation of the CRT Supplement. Even though there was sufficient time for the Applicant to review Order No. 4067 before submitting the proposed Agreement for approval, the adjustments made to calculate the CRT Supplement are clearly inconsistent with the calculation made in the Order. Any attempt to circumvent any decision made pursuant to The Telephone Act or the Commission's jurisdiction under The Telephone Act cannot be accepted.

The Comparative Requirements Test (CRT) was designed and set out in the Prince Rupert Report. The CRT, as described in the Prince Ruper Report, was based on the concept outlined on page 66:

> Assume the local connecting company and its subscribers were transformed into a similarly situated community within the toll company's operating area. Then the local company should obtain a level of compensation from the toll company which will ensure that its subscribers are treated substantially the same as those in the similarly situated community in the toll company's territory.

In contrast to the CRT described in the Prince Rupert Report, a different approach is described on Appendix A, page 1 of the Applicant's application:

> .....the first eight steps determine a CRT-based supplement which if paid to the independent would enable it to achieve a "comparable" return not to exceed either Bell's achieved return level for the test year or the independent's allowed return level. Performing each of these steps requires using either Bell data or suitably adjusted independent-provided data.

Clearly, the Commission is concerned that the approach employed by the Applicant and Bell Canada to calculate the CRT Supplement agreement is inconsistent with the concept annunciated in the Prince Rupert Report.

Allowing a maximum rate of return equal only to Bell's achieved rate of return would very likely result in customers of the connecting company being treated less favourably than the customers of Bell Canada in a similarly situated community. In this specific application the cost of debt and equity capital for the Applicant is significantly greater than the cost of debt and equity capital for Bell Canada. If the Bell Canada achieved rate of return was employed, the additional revenue requirement or the CRT Supplement would be understated. As a result, local rates would need to be increased in order to generate the shortfall, and therefore customers of the Applicant would not be treated substantially the same as customers of Bell Canada in a similarly situated community.

The Prince Rupert Report specifies that:

> The next step in applying this test is to ascertain the rate of return of the conecting company .....
>
> If the rate of return is reasonable and comparable, **considering differences in financial and business risk**, to the return on investment that the major company would expect to receive, then the toll retention rate will not require further adjustment. If on the other hand the rate of return is unreasonable, the retention rate should be adjusted so as to produce a reasonable result. (emphasis added)

"Considering differences in financial and business risk", the Commission does not accept that the achieved Bell Canada rate of return on equity of 12.25 percent is reasonable for the Applicant. In the Commission's view, a 12.25 percent rate of return on equity is not acceptable because it does not adequately compensate the Applicant for the risks brought about by the size of the Applicant, its operating territory, the number of customers which it serves, or the nature of the services which the Applicant's customers demand. In other words, the business risk of Amtelecom has not been considered in the calculation of the CRT Supplement. Similarly, the financial risk of Amtelecom is greater than that of Bell Canada because of the capital structure, interest coverage, and the type of debt held unique to the Applicant. The use of the Bell Canada achieved rate of return can in no sense be considered to be "reasonable and comparable" as used in the Prince Rupert Report. The Commission addressed this specific question of an appropriate rate of return in the context of the Applicant's rate

application submitted in March, 1981. In Order No. 4067 issued August 27, 1981, it was stated that, "The Commission is of the view that a range of return on equity of 14 to 16 percent is reasonable and therefore has accepted the Applicant's proposed cost of equity of 15 percent for the purpose of determining a revenue requirement". The Commission will not concede that the rate of return employed in the CRT Supplement is appropriate in light of the range previously determined by the Commission in Order No. 4067.

As noted earlier, Appendix A, page 1 of the Agreement states that the calculation of the CRT Supplement "requires using either Bell data or suitably adjusted independent-provided data. In the proposed CRT Supplement this meant five major adjustments to the Applicant's rate base including:

1) removing the digital switch in Aylmer and including the costs of extending the step by step switch;

2) removing the step switch in Cambray and substituting digital;

3) expensing estimated digital application software costs which the Applicant had capitalized;

4) adjusting for average net asset values where the Applicant uses year end figures, and;

5) reducing purchase acquisition adjustments to reflect Bell's shorter write-off period of five years compared to the Applicant's twenty.

In addition to the five adjustments to the rate base, Bell Canada made four adjustments to the Applicant's expenses which included:

1) increased purchase acquisition amortization expense;

2) a reduction in depreciation expense related to the net plant reduction;

3) an increase in operating costs arising in the current year, and;

4) increasing maintenance expense to recognize the differences between step and digital maintenance rates.

The Commission notes that in the application of the CRT in the Prince Rupert Report the Committee did attempt to "compare the financial needs of Prince Rupert with the equivalent needs of a similarly situated exchange in the B.C. Telephone area and identify what toll compensation would be necessary to meet the requirements". However, the Committee did not attempt to adjust the financial data so as to conform it to the B.C. Telephone accounting and construction practices. Appendix A, page 2 of the Agreement presents a very different approach in relation to the Applicant:

> In Amtelecom's case, adjustments were made to its asset base, expenses, and local and other revenues to reflect those items as they would exist in a "similarly situated Bell community".

Clearly, this was not the intent of the CRT in the Prince Rupert Report. In fact, the Report specifies that:

> Where the rate base and construction program of the connecting company have been reviewed and approved by the provincial regulatory agency, this should in the committee's view be given substantial weight.

The Commission is extremely concerned to find that this directive has not been accepted. In the context of the general rate application submitted by the Applicant in March, 1981 and in the context of prior rate applications submitted to the Commission, each of the five rate base issues and the four expense issues identified above, have been addressed by the Commission. Out of the total nine adjustments, only one adjustment, (employing an average rate base instead of a year end rate base) is consistent with the Commission's adjustments. The discrepencies are further emphasized by the fact that all of the Commission's findings in regards to these issues are fully documented in Order Nos. 3931, 4017 and 4067 issued by the Commission.

Regarding the calculation of working capital, the Applicant had employed the modified FPC method for the purposes of determining an additional revenue requirement. The Commission had evaluated this approach to calculating working capital and in Order No. 4067, dated August 27, 1981 made the following decision:

> The modified Federal Power Commission method provides a better indication of the amount of working capital that is actually required by the company and to that extent is more equitable to the Applicant and subscribers alike. Furthermore, working capital of $49,504 is a relatively small component of the total rate base and therefore does not have as substantial an impact on the total additional revenue requirement than might otherwise be assumed. For these reasons the Commission has elected to employ the working capital as calculated by the Applicant.

Therefore, in regards to the calculation of working capital, the Commission does not accept the approach used to calculate the CRT Supplement.

The rate base was also adjusted for the Applicant's acquisition adjustment which occurred as a result of the purchase of the Taylor Telephone Company Limited and the Cambray Telephone Company Limited. On Appendix A, page 2, of the Agreement the reasoning is as follows, the adjustment is "to reflect Bell's shorter write-off period of five years compared to Amtelecom's twenty".

In the context of a general rate application submitted by the Applicant, the Commission also examined the appropriateness of the acquisition adjustment in the rate base and came to a decision not compatible with the approach used in the CRT application. In Order No. 4017 dated December 17, 1980 the Commission **excluded** the acquisition adjustment from the rate base:

> .....the Applicant did not provide evidence indicating that there was a significant reduction in operating expenses for the telephone service provided to the customers in the telephone exchanges purchased. The Commission also would have considered the inclusion of the acquisition adjustment in the rate base had it been demonstrated that the quality of telephone service increased as a direct result of the purchase, however, no evidence was offered in this regard.
>
> If the full acquisition cost is included in the rate base and the excess is amortized over a long period of time, the subscribers of the service will be required to pay rates higher than necessary.

The complete rationale regarding the amortization adjustment was covered in section 6.4 of Order No. 4017, however the quote above is ample demonstration that the issue is not one of the length of the amortization period but is whether or not the acquisition adjustment should be included in the rate base. The Commission wishes to emphasize again that the Commission decided "to exclude the acquisition adjustment from the rate base".

Exclusion of the acquisition adjustment from the rate base also requires that the amortization of the acquisition adjustment be disallowed as an expense. This matter was also dealt with in detail in section 5.3 of Order No. 4017. The CRT adjustment of $29,668 for the amortization of goodwill is clearly inconsistent with the Commission's approach outlined above.

The CRT calculation also included a number of adjustments to plant in service. The Applicant's exchanges were examined in the light of Bell Canada policy and hypothetical adjustments were made to the Applicant's exchanges to bring them into conformance with what the plant in service would have been had the exchanges been operated by Bell Canada. Specifically, the Aylmer exchanges currently have digital central office equipment whereas Bell Canada would have extended step by step equipment, and the Cambray exchange which has been equipped with step by step equipment by the Applicant would have had digital equipment if operated by Bell Canada. These changes resulted in substantial adjustments to the rate base, depreciation expense and maintenance expense.

In Order No. 4017 dated December 17, 1980 the Commission examined the Applicant's construction program in detail and although the Commission expressed certain reservations in regards to the construction program it was accepted for regulatory purposes. Although the Commission has quoted several sections from the Prince Rupert Report in this Order, a statement from page 67 of the report bears repeating here:

> "Where the rate base and construction program of the connecting company have been reviewed and approved by the provincial regulatory agency, this should in the committee's view be given substantial weight."

In the case of the Applicant, the construction program has been reviewed and accepted by the Commission. However, the Commission is extremely concerned that this fact was given little or no weight in the calculation of the CRT Supplement.

Finally the Commission wishes to comment on the expense adjustment of $101,000 whereby, application software was taken out of the rate base and expensed in the 1981 test year for the calculation of the CRT Supplement. No specific reasoning was provided for expensing software other than this is a Bell Canada policy. To date, expensing software is not an accounting treatment which has been accepted by the Ontario Telephone Service Commission. In fact, had the Applicant attempted to expense software and been unable to justify such a procedure, the Commission would have made an appropriate adjustment to have it capitalized. The Commission's approach to software was well documented in Order No. 3949 dated June 27, 1980:

> The evidence presented by the Applicant [Northern Telephone Limited] during the hearing was such that it is impossible to determine whether the application software will last as long as the basic software and the hardware, or whether it will have a relatively short life span. Nor is there any way of determining the amount of the initial application software that will change and how frequently such changes will be necessary and on what basis. Nor can the Commission determine the nature of the subsequent application software for the same reasons.

> Until such time as the Applicant can provide sufficient data to support its position put forward in this application respecting the accounting treatment of application software, the Commission requires the Company to capitalize application software on the same basis as its other assets for the purpose of determining the revenue requirement.

The Commission also notes that the Canadian Radio-television and Telecommunications Commission has taken an identical approach in respect to Bell Canada. In Telecom Decision 81-15, Section IV, subsection 2, it was stated that:

> The Commission does not accept Bell's method of expensing initial application software costs for switching machines and directs that, effective January 1, 1982, these costs be capitalized and depreciated over the service life of the switch itself.

With such clear direction provided, the Commission finds it incomprehensible that the Applicant and Bell Canada would undertake the calculation of a CRT Supplement based on accounting treatments and policies which have been stated to be unacceptable.

3.0 SUMMARY

The Commission has approved the Comparative Requirements Test (CRT) Supplement Agreement in section 1.08 of this Order. This amounts to a credit to the Applicant in the amount of $74,686. Although the Commission does not agree with the methodology employed to calculate the CRT Supplement, the Commission will concede, for the purposes of this application, not to require any changes in the methodology or the calculation in recognition of the fact that the payment was for a period which ended August 31, 1981. However, in all future CRT Supplement agreements the Commission will expect that any adjustments required to calculate the CRT Supplement will be in accordance with Commission Orders on similar issues. The Commission also strongly recommends that any and all future CRT Supplement calculations follow the methodology as outlined in the Prince Rupert Report. In Section 1.10 of this Order the Commission has ordered that these conditions be prerequisites for any future approval of a CRT Supplement application.

Chairman

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4133
Wednesday, the 31st day of March, A.D. 1982

BEFORE

F.D. Wall, Vice Chairman,
D.A. Austin, Member, and
G. Klosler, Member.

IN THE MATTER of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496)

and

IN THE MATTER of an application by The Manitoulin Island Telephone Company Limited for approval of a change in rates for local telephone service.

HEARD AT: West Bay, Manitoulin Island, November 18, 1981.

Toronto, January 26, 1982.

APPEARANCES

For the Applicant:

The Manitoulin Island Telephone Company Limited:	Mr. R. Barnard, President Mr. W. Berko, Controller Mr. J. Patrick, Local Manager Mr. E. Latimer, General Plant Manager

For Themselves:

Mr. J. Collins	Mrs. Morrow
Mr. J. Greenway	Mrs. A. Orford
Mr. T. Hobson	Mr. R. Scott
Mrs. R. Hobson	Mr. R. Shepherd
Mrs. M. McIntyre	Mrs. B. Slivinsky
Mr. Jansen	Mrs. D. Stapleton
Mrs. J. Jull	Mrs. White
Mr. J. Lockyer	Mrs. L. Zelowitz

1.0 ORDER

1.1 UPON THE APPLICATION of The Manitoulin Island Telephone Company Limited, hereinafter referred to as the Applicant, upon reading the application and other material filed and upon evidence presented during the hearing,

1.2 THE COMMISSION AUTHORIZES under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496) the Applicant to increase local service rates to generate additional annual revenues of approximately $45,000 based upon the number of local service revenue producing units as of August 31, 1981.

1.3 THE COMMISSION HEREBY ORDERS under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, C.496) that the local service rates non-recurring service charges in accordance with Section 11.0 of this Order to become effective on or after April 1, 1982.

2.0 BACKGROUND

The Applicant filed an application on June 22, 1981 for approval to increase the local telephone rates and non-recurring service charges on June 22, 1981. It was estimated by the Applicant that the increase would result in additional annual revenues of approximately $45,000 and would require an average rate increase of approximately 23.7 percent.

On July 1, 1981, the Applicant mailed a Notice of Application to each customer which set out the present and proposed rates. Written interventions were to be filed with the commission on or before July 31, 1981. A Commission hearing was held at West Bay on Manitoulin Island on November 18, 1981 to provide an opportunity for the Applicant's customers to make oral submissions to the Commission. On January 26, 1982, the hearing into the financial aspects of the rate application was held in the Commission's offices. During the financial hearing, the Applicant was directed to file a number of replies to questions which the Applicant could not answer during the hearing. The Commission's findings with respect to the financial aspects of the application are contained in sections 3.0 to 10.0 of this Order

3.0 TEST YEAR

The use of a test year for a revenue requirement calculation permits the Commission and the Applicant to focus on a set of financial data for a particular operating period adjusted to annualize known changes which have occurred or which are expected to occur within the operating period. Factors which influence revenues and expenses within the test year should be annualized because a full year effect of any changes will be realized in future periods.

The Applicant proposed the use of the 1982 fiscal year, which covers a period from September 1, 1981 to August 31, 1982 as the test year. Since no actual data for any of the months in the 1982 test year was available at the time the application was filed, the entire twelve month period was estimated. The issue of an appropriate test year for the purpose of determining an additional revenue requirement was crucial in the Commission's deliberations. The Commission is cognizant of the advantages and disadvantages associated with using either an historic or a future test year. Although the Commission generally prefers

the use of a current or future test year rather than an historic test year, the Commission must be convinced that the benefits outweigh the risks of using any test year period for which estimates are required.

The risk associated with the use of a future test year is primarily related to the uncertainties of forecasts and the possibility that the additional revenue approved may not reflect the actual additional revenue required. Furthemore, the Commission is concerned that the telephone subscriber not be penalized by unreasonably high rates brought about by inaccurate forecasts by the Applicant. Therefore, the Commission must be convinced that the Applicant has the ability to make reasonably accurate estimates for future periods thus reducing the risk.

Based on the Commission's review of past estimates and the large variances from actual results, and the technique employed by the Applicant to forecast revenues, the Commission is convinced that the risks in employing a 1982 test year outweigh the benefits.

The Commission examined the Applicant's forecast of the 1982 rate base including the 1982 construction program. Although the Commission found the program to be very ambitious and expensive, the Commission realizes that a large construction program is required in order to provide the quality and grade of service demanded in Manitoulin Island. Findings regarding the construction program are provided in Section 9.0 of this Order. However, during the financial hearing of January 26, 1982, the Applicant informed the Commission that TRW Vidar, was ceasing to manufacture digital switches similar to the equipment which had been planned for installation in Manitoulin exchanges. Without a construction schedule and without the details of the financing of the construction program, the Commission finds it extremely difficult to make a reasonable estimate of a 1982 rate base.

During the financial hearing and during the interrogatory process, a number of questions were asked of the Applicant regarding the forecasts of 1982 toll revenues. Contrary to the Commission's recommendation to Amtelecom Inc. in Order No. 4067 that "the Applicant seriously review its forecasting techniques and revise them where appropriate for any future rate application" the forecasting techniques were not revised. The 1982 toll revenue was forecasted based on historic growth in toll revenues without explicitly accounting for such changes as increases in toll rates, revised commission payments, growth in toll messages or the upgrade program. For example, Exhibit 2, page 13 forecasted the growth in 1981 toll revenues based on 8 month actuals and yet the annualized error of the estimated increase in toll revenues was approximately 40 percent. In other words, had the Applicant underestimated toll revenues for a 12 month period by the same magnitude as the 4 months forecasted the estimate of the increase in toll revenue would have been 40 percent lower than the actual increase in toll revenue.

Finally, the Commission found good reason for the use of an actual 1981 test year in light of the high proportion of debt which incurs a floating rate of interest. While this creates other significant problems for the Applicant, it also effectively reduces the Commission's ability to make a reasonable determination of the Applicant's cost of debt for a future test year. With debt rapidly increasing in proportion to total invested capital a reliable estimate of the embedded cost of debt is of critical importance. However, the Commission is not prepared to estimate interest rates nor is the Applicant able to accurately forecast interest rates to August 31, 1982.

Reasonably accurate projections of future operating results enable the Commission to determine a revenue requirement which more closely corresponds to the telephone system's financial requirements in the future period. When projections are proven to be unreliable the Applicant may not earn a sufficient rate of return, or conversely the subscribers may be penalized by the setting of rates in excess of what is necessary. For the purpose of determining an additional revenue requirement the Commission finds the forecasts unreliable and therefore will employ the historic 1981 test year.

4.0 REVENUES

4.1 Local Service Revenues

For the purpose of determining an additional revenue requirement the Commission will accept the local service revenues of $183,030 as reported in the audited financial statements for the year end August 31, 1981.

4.2 Toll Service Revenues

In reply to interrogatory OTSCO7AUG81-106, the Applicant indicated that as of June 21, 1981 there was a 5 percent increase in toll commissions as a result of revisions to the Traffic Agreement. The commission schedule formerly known as the Alternate Appendix B has been revised from a schedule format into a formula and is now identified as Appendix 2, Section 2.2 to the Traffic Agreement. The Commission approved the Applicant's revised Traffic Agreement in Order No. 4112 dated February 26, 1982. The actual increase in toll commissions is 5.4 percent which is greater than the 5 percent reported by the Applicant. Based on the toll service revenue information filed, the Commission has adjusted toll service revenues by $13,280 to reflect the actual revision to toll commissions and to account for a 12 month effect of the toll increase.

Effective on or about September 1, 1980, Bell Canada increased toll rates between toll centers in Ontario and Quebec. As a result of the toll rate increase, the Applicant's toll revenue increased proportionately. However, since the effective date of the toll rate increase coincides with the first day of the Applicant's test year no annualizing adjustment is required. Effective October 1, 1981, there was a further increase in toll rates between toll centers in Ontario and Quebec. However, since the revised rates became effective after the end of the 1981 test year no adjustment to toll revenues is required for the purpose of determining an additional revenue requirement.

5.0 EXPENSES

The Commission has examined expenses estimated for the 1981 test year and finds them acceptable for the purpose of determining an additional revenue requirement with the exceptions noted in sections 5.1 and 5.2 below. The Commission notes that the Applicant incurred increases in expenses before depreciation, taxes and interest charges of only 8.8 percent in 1981 and estimates an increase of 10.2 percent in 1982. It is hoped that the Applicant will continue to attempt to keep expenses at a reasonable level and that expenses not rise above the level forecasted.

5.1 Uncollectible Revenue

Based on the adjustment to 1981 toll revenue in Section 4.2 of this Order, the Commission has increased the allowance for uncollectible revenue expense by $238 which is approximately 1.8 percent of the toll service revenue adjustment. This is consistent with the proportion of uncollectible revenue to total operating revenue estimated for the 1981 test year.

5.2 Taxes

5.2.1 Gross Receipts Taxes

The adjustment to toll revenue as explained in Section 4.2 also requires a compensating adjustment to gross receipts taxes. Therefore, the Commission has made an allowance of $664 which is approximately 5 percent of the revenue adjustment.

5.2.2 Income Taxes

The Manitoulin Island Telephone Company has not been required to pay income taxes since 1977.

During the financial hearing of January 26, 1982, the Applicant was asked certain questions regarding the income tax rate and certain loss carry forwards. Mr. Berko, witness for the Applicant, was unable to provide answers to all the questions. However, replies were filed with the Commission on February 25, 1982. It was indicated that as of August 31, 1981, the Applicant had an accumulated income tax credit of $57,000 which could be applied in future periods.

Furthermore, the Applicant also estimated that no income taxes would be paid in 1982 at current rate levels due to expected losses in the test year. Despite this however, in reply to interrogatory OTSCO7AUG81-502, the Applicant included an amount of $24,653 for additional taxes in the additional revenue requirement calculation. This assumes a 50 percent tax rate on the total additional revenues required.

The Commission does not believe that this is appropriate. During the analysis of a rate application, the Commission considers, in great detail, the costs which are appropriate in the determination of a revenue requirement. The Commission provided the Applicant ample opportunity to explain the calculation of income taxes during the financial hearing and as a reply to interrogatory OTSCO7AUG81-205. Unfortunately, the Applicant did not provide a full explanation of the additional taxes included in the additional revenue requirement calculation. Only those costs which are actually incurred and can be explained or substantiated by the Applicant will be allowed for the purposes of rate making. As a result, the Commission has not included any amount for additional income taxes in the additional revenue requirement calculation in Section 8.0 of this Order. In any future rate applications, the Commission may require the Applicant to report income taxes on the tax allocation basis and on the taxes payable basis, and to justify to the Commission why taxes as presented should be accepted for rate making.

6.0 RATE BASE

For the purpose of determining an additional revenue requirement in this rate application, the Commission has decided to use the 1981 year end invested capital as the rate base. It should be made clear however that as circumstances change, the Commission will review the method of calculating the rate base in future rate applications to ensure that the most appropriate rate base is employed. The components of the rate base can be found in Table 1.

TABLE 1

THE MANITOULIN ISLAND TELEPHONE COMPANY LIMITED

Invested Capital Rate Base
As at August 31, 1981

	Amount
Debt	$ 801,222
Equity	600,003
Total	$1,401,225

7.0 RATE OF RETURN

The appropriate rate of return on total capital is the weighted average of the cost of equity and the cost of debt associated with the1981 test year. For the purpose of determining an additional revenue requirement, the Commission has decided to employ the total cost of capital for Amtelecom consolidated. The Manitoulin Island Telephone Company is a wholly-owned subsidiary of Amtelecom Inc. and as such the cost of capital to the Applicant is dependent upon the capital structure and the finance program of the parent. For instance, the Applicant is contingently liable as a guarantor of the parent Company's borrowings to the extent of $5,000,000. Furthermore, the Applicant is heavily dependent on the parent company for debt capital. By year end 1980, 63 percent of the Applicant's total long term debt was obtained from the parent company. Therefore, in the Commission's opinion it would not be meaningful to attempt to calculate the cost of debt capital or the cost of equity capital for the Applicant exclusively. The use of the total cost of capital of Amtelecom consolidated will better reflect the actual financial risks faced by the Applicant.

7.1 Cost of Debt Capital

The Commission has commented on the capital structure of Amtelecom Inc. in Order Nos. 4017 dated December 17, 1980 and 4067 dated August 27, 1981. It is sufficient to note only two points here, firstly of total capital approximately 83 percent or $7,857,273 is debt and secondly of this debt approximately 87 percent is charged at a floating rate of interest. In recent periods, therefore, it has been difficult to calculate the cost of debt capital. In Order No. 4078, the Commission "decided

to employ the average prime interest rate over the last ten months of the Applicant's test year in order to determine the cost of debt capital." The Commission has decided to adopt this approach again for the purpose of determining an additional revenue requirement for the Applicant. In this application however, the Commission has been provided with the actual debt capital amounts as at August 31, 1981. Based on this information, the Commission will employ a cost of debt capital of 17.5 percent which has been calculated from the weighted average of prime interest rates over the period from November 1, 1980 to August 31, 1981. The Commission believes that the last 10 months of the test year provide a better indication of the level of interest rates which the Applicant will incur. In other words, the interest rate levels of September and October cannot reasonably be expected to return and therefore the 10 month average of interest rates is more appropriate for rate making purposes.

7.2 Cost of Equity Capital

The Applicant has proposed a cost of equity of 15 percent, a rate which was also proposed for Amtelecom Inc. The Applicant expressed the view that a 15 percent rate of return on equity was thought to be appropriate. Although the Commission believes that current economic conditions and the financial risk of Amtelecom Inc. indicate that the Applicant should review a 15 percent rate of return on equity, the Commission will nevertheless employ a range of return on equity of 14 to 16 percent and will use the midpoint of 15 percent for the purpose of determining an additional revenue requirement.

7.3 Allowed Range of Return on Total Capital

The allowed rate of return for revenue requirement purposes is set equal to Amtelecom Inc.'s overall cost of capital. This is determined using the Applicant's capital structure weights as at August 31, 1981, the embedded cost of debt and the allowed range of return on equity.

In Table 2, the calculation of the overall cost of capital is presented. The revenue requirement is based on an allowed rate of return range from 16.9 to 17.3 percent for this application, with the midpoint of 17.1 percent employed for the ppurpose of calculating the Applicant's revenue requirement.

TABLE 2

Calculation of the Overall Cost of Capital
1981 Test Year

	Amount	Weight	Cost	Weighted Cost
1. Total Debt	$7,805,120	82.7	17.5	14.5
2. Common Equity	$1,637,698	17.3	14.00–16.00	2.4–2.8
3. Total	$9,442,818	100.00		16.9–17.3

8.0 REVENUE REQUIREMENT

The revenue requirement for the purpose of this application is based on a 1981 test year ending August 31, 1981. The subject of test year and the Commission's findings with respect to this matter are presented in Section 3.0 of this Order.

Table 3 presents a 1981 income statement reflecting the Applicant's submission, the Commission adjustments and Table 4 provides the calculation of the Applicant's additional revenue requirement.

TABLE 3

MANITOULIN ISLAND TELEPHONE COMPANY LIMITED

Income Statement
1982 Test Year

	Exhibit 4	Commission Adjustments	Revised Income Statement
Revenues:			
1. Local Service	$183,030		$183,030
2. Toll Service	279,173	$13,280	292,453
3. Miscellaneous Service	18,550		18,550
4. **Total Operating Revenues**	$480,753		$494,033
Expenses:			
5. Depreciation	$ 76,120		$ 76,120
6. Plant and System	141,586		141,586
7. General and Administrative	82,556	902	83,458
8. **Total Operating Expenses**	$300,262		$301,164
9. **Net Income before Income Taxes and Interest Charges**	$180,491		$192,869
10. Income Taxes	Nil		Nil
11. **Net Income before Interest Charges**	180,491		192,869
12. Interest Charges	140,206		140,206
13. **Net Income**	$ 40,285		$52,663
14. Rate of Return on Common Equity	6.7%		8.8%
15. Rate of Return on Total Capital	12.9%		13.8%

TABLE 4

Additional Revenue Requirement

1. Rate Base	$1,401,225
2. Allowed Rate of Return	17.1%
3. Revenue Requirement before Expenses	$ 239,609
4. Total Income Available	192,869
5. Additional Revenue Requirement before Taxes and Uncollectibles	$ 46,740
6. Allowance for Additional Taxes and Uncollectibles	3,963
7. Total Additional Revenue Requirement	$ 50,703

Based on the findings of this Order and based on the calculation of the additional revenue requirement in Table 4, the Commission concludes that based on a 1981 test year, the Applicant has an additional revenue requirement of $50,703.

9.0 CONSTRUCTION PROGRAM

A brief description of the Manitoulin Island exchanges was provided in a letter accompanying the rate application. It said in part:

> At the present time the facilities in the two central offices are almost exhausted and most outside plant feeder and distribution cables are filled to capacity. In order to upgrade service, improve the quality of service and provide facilities to dwellings presently unserved, some very large capital expenditures are required.
>
> Based on our review of the options we have concluded that in the long term the most efficient way in which telephone service can be provided to meet customer needs is by replacement of the present SXS equipment with digital equipment . . . We estimate that approximately two million five hundred thousand dollars will be required in order to provide individual and two party service in the two base rate and four locality rate areas with individual and four party service on a flat rate basis throughout most of the area served. These expenditures would be made over a period of approximately three years.

It is this construction program which the Commission reviewed in the context of the rate application. During the hearing held in Manitoulin Island, the Commission heard a number of complaints regarding the poor quality of service. The Applicant was also asked a series of questions regarding the construction program during the financial hearing in Toronto. The Commission is pleased to note that the Applicant's construction program has been

well developed. The importance of an improvement in the quality of service cannot be understated. Nonetheless, the Commission is concerned over the cost of the construction program. When the Manitoulin Island Telephone Company was purchased by Amtelecom Inc. in 1977, total long term debt amounted to less than $804,000. The proposed construction program will more than triple the debt at a time when interest rates are prohibitive for other telephone systems. Although the Commission encourages the Applicant to continue to improve the quality of service provided to its customers, the Commission also hopes that the Applicant will evaluate the construction program on an on-going basis, particularly with regard to the scheduling of the program. It appears that a deadline of three years for completion will impose severe financial constraints upon the Applicant. Any alternatives for completing the construction program over a longer period should be seriously considered. At the present time, almost the entire program is financed through short and long term debt at floating interest rates well above prime. A deferred program would enable the Applicant to generate additional funds internally. The Applicant intends to upgrade most residential customers in the Mindemoya and Manitowaning exchanges to four party service with optional one party service. Business customers in the exchanges will be upgraded to a minimum two party service. The Commission endorses the Applicant's construction program with the reservations noted above. The digital switching equipment and the outside plant which are necessary to complete the program will also provide better quality of service to existing and future customers as well as providing enough spare capacity to handle future growth in the exchanges. Outside the base rate areas the Applicant has applied for flat rates for the single and two party service. The Commission has approved these rates. As the name suggests, a flat rate is a monthly charge which is independent of the distance between the customer and the base rate area. On average, flat rates are no more expensive than the traditional base rate area rates plus mileage charges and the Company does not earn more revenues than would be the case if mileage charges were calculated separately. However, flat rates do make premium grades of service more affordable to customers located at the perimeter of an exchange. The Commission is pleased at the success of the flat rates in the Amtelecom Inc. exchanges of Aylmer, Straffordville and Port Burwell and will monitor the introduction and acceptance of the flat rates in Mindemoya and Manitowaning exchanges.

The scheduling of the construction program was of particular interest to the Commission during the financial hearing. At that time it was learned that the equipment manufacturer which has been providing Amtelecom Inc. with digital switching equipment is ceasing to manufacture the equipment. During the financial hearing, Mr. R. Barnard, witness for the Applicant, was not sure if Vidar would honour the contract with the Applicant to provide certain equipment necessary for the upgrade program. Furthermore, the Applicant was undecided whether or not to install the Vidar digital switching equipment even if it could be made available, for fear of not having back up services and parts in the future. The Applicant did state however that the 1982 construction program would be delayed a minimum of three months and if new equipment was required from another manufacturer the delay could stretch into years. Since a definite construction schedule is of some importance to this rate application, the Applicant was requested to file its intentions by February 25, 1982. On March 3, 1982, the Applicant instructed Vidar to complete the digital switches and the associated equipment for the Manitoulin exchanges. By March 16, 1982, the Applicant refiled the 1982 and 1983 construction program for the Manitowaning and Mindemoya exchanges. The Commission realizes that the revised schedule is tentative and subject to changes brought about by the equipment manufacturers.

The Commission hopes to see the installation of the equipment in a timely manner so that customers will realize the quality and grade of service which has been lacking in the Mindemoya and Manitowaning exchange and in a manner which will not place the Applicant in financial jeopardy. The uncertainty associated with the scheduling of the construction program is one of the reasons requiring the Commission to employ an historic rather than a current or future test year.

9.1 Field Hearing in West Bay

On November 18, 1981, the Commission held a field hearing in West Bay which provided the Applicant's customers with the opportunity to voice their problems and concerns regarding telephone service to the Commission.

Many customers complained of the poor quality of service particularly the number of outages and noisy lines. The Commission also heard many complaints regarding the lack of single party service available. Both the quality of service and the grade of service available to the telephone users is of great importance to the Commission. During the field hearing and the financial hearing, the Applicant was asked how these problems would be dealt with. It is expected that the Applicant's proposed construction program, the new central office equipment and additional outside plant will alleviate most of the problems. Although the construction program will not be completed as was originally scheduled, the Applicant has made the necessary arrangements to acquire the necessary equipment. It is the Commission's intention to monitor the construction program to ensure that the Applicant's customers are beginning to receive the quality of service and the grade of service required.

10.0 COMMENT

During the processing of the rate application, the Commission required the Applicant to respond to a number of interrogatories regarding the toll revenue forecast for 1982. These interrogatories were designed to ascertain whether or not the Applicant had done an adequate and satisfactory job of forecasting toll revenues. During the financial hearing in Toronto, the Applicant was asked additional questions about the method of estimating and forecasting.

The Applicant estimated a decrease in the number of toll messages in 1982 over 1981. The actual number of sent paid-received collect messages in 1981 was in excess of 310,000 but only 300,000 messages were forecast for 1982. During the financial hearing, the Applicant could provide no explanation for this reduction in toll messages. The Commission was unclear because the Applicant was also estimating a $44,000 or 16.3 percent increase in toll revenue. On page 7 of the rate application it was explained that:

> An additional $44,000 will be generated by long distance telephone tolls. Of the $44,000, $8,000 is attributed to new customers and $7,000 to A.N.I.

However, in reply to interrogatory OTSCO7AUG81-106, the Applicant attributed the $44,000 increase in 1982 toll revenues as a result of a $27,000 toll rate increase and a "5 percent increase in Alternate Appendix B on June 21, 1981 and June 21, 1982." The Applicant did not provide a satisfactory explanation for these differing accounts for the expected $44,000 increase in toll revenues. However, the Commission did note that no

increase in toll revenues was attributed to an increase in toll calling. During the financial hearing, Mr. Berko, witness for the Applicant was asked certain questions regarding the possible growth in toll messages. At the time he predicted that toll messages would probably increase approximately 7.5 percent in 1982 and that toll revenues could be expected to increase accordingly. Clearly this evidence is contrary to the evidence submitted in August 1981 which forecasted a 3 percent decrease in toll messages.

Additional information acquired by the Commission indicated further errors in the Applicant's toll revenue forecast. The 10 percent toll rate increase forecasted for 1982 was approximately 15 percent and the "5 percent increase in Alternate Appendix B on June 21, 1981" was in reality a 5.4 percent increase.

The method of forecasting toll revenue is based on a system whereby projections have been based on toll revenues and not related to messages. Although the Applicant believes that this method of forecasting is accurate for planning purposes, the Commission is not convinced that the Applicant's present method of forecasting revenues is reliable enough to employ for a future test year. This was a prime consideration by the Commission before choosing the appropriate test year. It is appropriate here to repeat the observation made in Order No. 4067 addressed to Amtelecom Inc., in that:

> The Commission has some concern over the methods employed by the Applicant to project for the test year.
>
> It is the Commission's hope that the Applicant will seriously review its forecasting techniques and revise them where appropriate for any future rate application.

11.0 RATE STRUCTURE

In regard to the rate structure, the Commission wishes to make two observations.

11.1 Tehkummah as a Locality Rate Area

The Applicant proposed reclassifying Tehkummah from a base rate area to a locality rate area. The Applicant explained that at one time a central office was located in Tehkummah and therefore was identified as a base rate area. Tehkummah is now served from the Manitowaning central office and the treatment of Tehkummah as a base rate is no longer justified. However, under the criteria of the Applicant "a concentration of 25 or more dwellings with telephone service qualifies as a locality rate area". Since Tehkummah meets this criteria, the Applicant has proposed to reclassify Tehkummah as a locality rate area. The Commission agrees that this reclassification is appropriate. However, the lower preferential rates enjoyed by customers located in base rate areas will no longer be provided to Tehkummah customers. While locality rate area rates are lower than the rates approved for other customers outside the base rate area, the reclassification of Tehkummah will result in a substantial increase to some Tehkummah customers due to the combined effect of the rate increase and the reclassification of Tehkummah as a locality rate area.

11.2 Extension Telephone Rates

The Applicant did not propose any rate increase for residence and business extension telephones. When questioned, the Applicant provided the following reply:

> We consider that present rental rates on both residential and business telephone extensions provide a good rate of return on the capital invested. We hope that by keeping the extension rental rates at their present level we may be able to increase the number of extension telephones in service and improve our income. We are also concerned as to the future possibility of the right to interconnection by our subscribers of their own telephones to our network and the effect this could have on our network and the effect this could have on our revenues. To compete with this possibility we are of the opinion that extension rental rates should not be increased at this time.

The Commission is concerned that the extension telephone rates remain at a level which is compensatory to the Applicant for providing the service. The Applicant has indicated that extension telephones "provide a good rate of return" and it is the Commission's intention to ensure that revenues from other local services do not subsidize the provision of extension telephones. Therefore, the Applicant's contention that extension rental rates should not be increased to compete with the possibility of interconnection, is not, in and of itself, sufficient to prevent increases in extension telephone rates.

In this rate application, the Commission will not require the Applicant to increase rates for residence and business extensions. The Commission has observed that the rates charged for extension telephones are comparable to the rates charged by other telephone systems which operate in the Province. The existing rates appear to be contributing an acceptable proportion to the revenue requirement. However, the Commission, in any future rate applications, may require the Applicant to justify extension telephone rates on the basis that the rates are in fact compensatory.

11.3 Basic Monthly Exchange Rates

Manitowaning and Mindemoya Exchanges

	Monthly	
	Business	**Residential**
1. Individual Lines	$16.50	$8.00
2. Two Party Lines	14.00	6.80
3. Multi party Lines	10.65	5.80
4. Extensions	2.25	1.65
5. PBX Trunks	24.90	

There are no changes to extension telephone rates. For reasons see Section 11.2 of this Order.

11.4 Mileage Charges

Monthly Charge for each Quarter Mile or Remaining Fraction:

Individual Line	$.85
Two Party Line	.50
Off Premise Extension	.30

Extra exchange mileage charges for individual and two party business and residence service will apply when these services are provided outside the Base Rate Area of the exchange but within the exchange area. The charges are based on the airline distance between the building in which the telephone or switchboard is located and nearest point on the boundary of the Base Rate Area. There are no changes to mileage charges in this Order.

11.5 Flat Rates

Manitowaning and Mindemoya Exchanges

	Monthly Rate	
	Business	Residence
Individual Line	$31.50	$23.50
Four Party Line	N/A	8.80

Flat rates apply in rural areas where service has been upgraded to individual and four party service.

11.6 Locality Rate Area

Tehkummah, South Baymouth, Wikwemikong, Providence Bay

	Monthly Rate	
	Business	Residence
Individual Line	$28.50	$20.50
Two Party Line	22.80	16.00
Four Party Line	N/A	8.80
PBX Trunks	29.50	

11.7 Non-Recurring Service Charges

11.7.1 Elements of Services and Charges

	Monthly Rate	
	Business	Residence
A) Administration Charge	$15.00	$ 9.00
B) Line Connection Charge	15.00	10.00
C) Premises Work Charges	30.00	11.00

11.7.2 Service and Charges

Service	Charge	
	Business	Residence
1. Install new main telephone service (A+B+C)	$60.00	$30.00
2. Reconnect main telephone, instrument in place		
Premise visit not required (A+B)	30.00	19.00
Premise visit required (A+B+C)	60.00	30.00
3. Reinstall main telephone service		
Premise visit required (A+B+C)	60.00	30.00
4. Change telephone set (A+C)	45.00	20.00
5. Move or relocate telephone instrument in same premises (A+C)	45.00	20.00
6. Take over working service (A+C)	45.00	20.00
7. Change telephone number (A+B+C)	60.00	30.00
8. Change class of service downgrade (A+B+C)	60.00	30.00
9. Install extension: Same time as installation of main telephone	30.00	n/c
Not at same time as installation of main telephone	45.00	20.00
10. Miscellaneous service	45.00	20.00

11.8 Miscellaneous Service and Equipment

Description	Code	Monthly Rate:
Residence Digi Pulse first set	1001	$ 2.30
Residence Digi Pulse each additional set	1002	1.90
Residence Touch Tone first set	1005	2.30
Residence Touch Tone each additional set	1006	1.90
Business Digi Pulse	2001	3.45
Business Touch Tone	2005	3.45
Business Interphone		
– first termination	2301	16.90
– each additional termination	2302	1.70
– indoor speaker	2304	2.15
– outdoor speaker	2305	3.40
PABX telephone extension	3003	9.40
PABX locals		
– each 1 to 30	3004	30.00
– each 31 to 60	3005	14.70
– each 60 to 120	3006	12.50
– each 121 to 200	3007	9.95
Toll restriction	3008	16.55
Illumination for each C.O. line	3300	7.50
6 Button Key Set	3301	7.50
10 Button Key Set	3302	18.55
20 Button Key Set	3303	30.00
Dial Select Intercom		
– each first 10 sets	3304	26.90
– each additional set	3305	1.95
Intercom on Manual System	3306	2.50
Contempra telephone	4001	2.15
Styleline telephone	4002	2.15
Contessa telephone	4003	2.00
Decorator telephone	4004	7.45
511 Desk Set telephone or		
558 Wall Set telephone	4005	2.15
Hard of hearing set	4006	1.70
Memory Phone	4007	25.30
Companion Speaker	4008	10.15
Teledialer 32	4011	16.45
Teledialer Logic 10	4012	19.80
Loud Ringing (LR592) or Code Bell	4020	1.70
Soft Ringing (SR684) or E A Bell	4021	1.40
No. 7 Bell	4022	.90
Commercial Signal Bell	4023	5.50
Bell Chime	4024	2.15
Commercial Signal Control	4025	2.65
Jack	4030	.90
Weatherproof Jack	4032	1.95
Buzzer	4040	.90
Buzzer Signal Button	4041	.90

Description	Code	Monthly Rate:
Cut-Off Key for telephone	4050	.90
Exclusion Key for telephone	4051	.90
Transfer Key for telephone	4052	.90
Hold Key for telephone	4060	1.20
Pick up	4061	1.20
Lamp	4062	.50
Triple Lamp Indicator	4063	2.00
Generator (QGG1C) for buzzer system	4064	3.20
Power Plant for lights on intercom system	4065	4.25
Non-published number	4074	2.55
Transfer service	4075	6.30
Transformer for telephone	4076	1.70
Single Line Hold	4077	1.70
Cable Pair on first quarter mile	4080	3.90
Cable between buildings		
— each 1 to 10	4081	1.70
— each 11 to 25	4082	1.25
— each over 25	4083	.75
Extra Listing		.80
Foreign Listing		.80
Zenith SRCS		3.25
Reference Listing		.80

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4151
Wednesday, the 9th day of June, A.D. 1982

BEFORE

V.W. Bielski, Q.C. Chairman	)	IN THE MATTER of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496)
E.A. Frith, Member, and	)	and
M.E. Parry, Member.	)	IN THE MATTER of an application by Northern Telephone Limited for approval of a change in rates for telephone service.

HEARD AT: New Liskeard, January14, 1982.

Toronto, April 21 and 22, 1982.

APPEARANCES

For the Applicant:

M.W. Cooper, President and General Manager, Northern Telephone Limited
M.C. Rand, Counsel, Lugsdin, Lawrence, Taylor, Eccles & Pezzack
E. Buntain, Merrill Lynch, Royal Securities

For the Temiskaming Federation of Agriculture:

J. Carruthers

Individual Intervenors:

For the City of Timmins:

D. Kelly, Alderman
D. Welin, Alderman

Individual Intervenors:

R. Lapointe
S. McCaig
R. Shubert

1.0 ORDER

1.1 UPON THE APPLICATION of NorthernTelephone Limited, hereinafter referred to as the Applicant, upon reading the application and other material filed, and upon evidence presented during the hearings,

1.2 THE COMMISSION HEREBY AUTHORIZES, under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496) the Applicant to increase local service rates to generate additional annual revenues of $1,412,000 as calculated in Section 9, Table 5, of this Order.

1.3 THE COMMISSION ORDERS that the Applicant prepare and submit to the Commission, for approval, a revised rate structure which will generate total additional local service revenues of $1,412,000 annually based upon the estimated average revenue producing units in service during 1982.

1.4 THE COMMISSION FURTHER ORDERS that of the $1,412,000 in additional annual revenues, $109,000 be generated from the following revenue sources; teletypewriter exchange service TWX, mileage charges, extra exchange mileage, premium telephone features, CAMA trunks, data services, in-house paging, telenote, teletype, and wide area paging non-recurring service charges.

1.5 THE COMMISSION FURTHER ORDERS that business and residence extension telephone rates be increased by a minimum of eight percent (8%).

1.6 THE COMMISSION FURTHER ORDERS that within 45 days of completion of the 1982 wage settlement agreement, that the Applicant refile estimates for 1982 in the same format as;

a) Exhibit 2 Section 4 Appendix 1

b) the reply to interrogatory OTSC19NOV81-329 and

c) the reply to interrogatory OTSC27JAN82-333

2.0 BACKGROUND

The Applicant filed an application for approval of change in rates for local service, on October 2, 1981. The application requested approval of revisions to rates for services, equipment and facilities which would generate an additional $1,491,000 in revenues in 1982. It was proposed that the revised rates become effective February 1, 1982. If approved, the additional revenues would have resulted in an approximate average rate increase of 19 percent for the services effected.

The Applicant mailed a Notice of Application dated October 13, 1981 to each of its customers. Customers were invited to file written submissions with the Commission on or before November 12, 1981. The Commission received approximately sixty-one written interventions in response to the Notice of Application including two petitions of 45 signatures and 32 signatures.

The Commission held a field hearing in New Liskeard on January 14, 1982. Notices of the hearing had been placed in newspapers serving the Applicant's territory two weeks prior to the hearing.

A second public hearing was held in the Commission's offices in Toronto on April 21 and 22, 1982 and primarily dealt with the financial aspects of the application. The Commission's findings with respect to the financial aspects are contained in sections 3.0 to 12.0 of this Order.

3.0 TEST YEAR

In Order No. 3949, the Commission accepted the use of a future test year for the purpose of determining an additional revenue requirement. However, the Commission also qualified the use of the future test year, noting that ". . .each application is unique and should be considered on its own merits. . ." The Commission also noted that the ". . .Applicant has in the past demonstrated an ability to make reasonably accurate estimates for future periods. . ." In the current application the Applicant proposed the use of a 1982 test year. However, a revised additional revenue calculation was refiled on March 9, 1982, only five months after the original application. The Applicant revised the 1982 long distance service revenue forecast downward by $255,000, which represents a decrease of approximately 3 percent in total toll revenues originally forecast. The $255,000 revision is substantial in light of the original calculation of an additional revenue requirement before taxes and uncollectibles of $710,000.

A second adjustment was made to the additional revenue requirement to correct for the Applicant's overestimate of interest rates in 1982. In October 1981, it was estimated that interest rates for long term debt financing would be in the order of 19.5 percent and 21.0 percent for short term debt. The revised additional revenue requirement calculation, filed in March 1982 was based on interest rates of 18.0 percent and 17.5 percent for long term and short term debt respectively. Although the Commission recognizes the difficulty of forecasting, particularly in the area of interest rates, the errors discussed above are by no means inconsequential when compared with the additional revenue requirement. The risk associated with the use of a future test year was discussed in Order No. 3949. In that Order, the Commission noted that:

> This risk is primarily related to the uncertainties of forecasts and the possibility that the firm may realize a return in excess of the allowed range. The Applicant argued, however, that the benefits of employing a future test year outweighed the risks of earning excessive returns and reasoned that the firm would experience a loss of credibility should substantial overruns occur.

It is important to note however that the Applicant's credibility will be called into question if the magnitude of the errors are substantial, whether or not the firm realizes a return in excess of the allowed range.

The Commission has considered this application on its own merits and finds that a 1982 test year is appropriate for determining an additional revenue requirement. The Applicant's forecasts in the areas of local service revenues and expenses appear to be reasonable. The Applicant's estimates of construction programs for future periods is examined in detail in Section 10 of this Order.

The Commission expects that the Applicant will become more sophisticated in its forecasting techniques and that actuals will reveal less and less variance from estimates. However, if the diligence of the Applicant in attempting to refine its forecasting techniques does not reduce the risk associated with a future test year, the Commission will re-evaluate the appropriateness of the use of a future test year. It is for this reason that the Commission has decided to continue to require the Applicant to provide the annual filings which are specified in Section 1.0 of Order No. 3949 dated June 27, 1980. The annual filing requirements include a review of actual and proposed construction expenditures, estimated revenue requirements, forecast and actual financial information, actual telephone growth, breakdown of actual revenue and details of the rural program. The filing of these reports will not only aid the Commission in assessing the Applicant's ability to forecast for future periods but also be helpful in the analysis of future rate applications.

4.0 REVENUES

As noted in Section 3.0 of this Order, the Applicant revised 1982 long distance service revenues from $8,439,000 to $8,184,000. This revision in revenues came after the Commission had completed its interrogatory process. However, during the financial hearing of April 21 and 22, 1982, the Commission provided the Applicant with an opportunity to explain the reasons for the revisions to long distance service revenues. With the concerns expressed in Section 3.0, the Commission is satisfied that the revisions are reasonable and therefore has accepted the long distance service revenue estimate of $8,184,000. The Commission has also accepted the Applicant's estimates of local service and miscellaneous operating revenues for this application.

5.0 EXPENSES

5.1 Wage Expense

In Exhibit 2, Section 7, Appendix 2, of the application, total operating expenses in 1982 were forecasted at $15,079,000 an increase of $2,223,000 or 17.3% over 1981. The Commission notes from the Applicant's reply to interrogatory OTSC19NOV81-208, that the number of regular full-time employees is expected to increase from 318 in 1981 to 322 in 1982. However, wage expense forecasts were based on assumpptions of the results of the current wage negotiations. The Commission will monitor the actual settlement and its effect on the expenses forecast and the estimates for station connections and has for this reason directed, in Section 1.6 of this Order, the Applicant to file revised estimates of expenses.

The Commission notes that the Data Service Function Credit is calculated based on the P.S. Ross method of allocation and is in accordance with the Commission's directive in Order No. 3949.

5.2 Depreciation Expense

The Commission has adjusted the Applicant's 1982 construction program by $500,000 for the reasons discussed in Section 10.0. As a result an adjustment to depreciation expense is also required. The 1982 composite depreciation rate of 5.97, noted by the Commission in Order No. 4140 dated April 15, 1982, has been used to

calculate the $15,000 adjustment to depreciation expense. The 1982 estimated accumulated depreciation must also be adjusted by $8,000 to reflect the use of a rate base which has been averaged for 1982.

6.0 INCOME TAXES

In reply to interrogatory OTSC27JAN82-604 the Applicant provided the calculation of income taxes. Due to the federal budget of November 12, 1981 the 5 percent federal surtax has been extended into the first six months of 1982. This results in a corporate income tax rate of 51.8 percent as calculated by the Applicant. The Commission has accepted this income tax rate for the purposes of rate making.

In Table 5, Section 9 of this Order, $761,000 has been included in the additional revenue requirement to compensate for additional taxes, uncollectibles and expenses. This amount is based on the additional income taxes, uncollectibles and expenses provided for in the Applicant's additional revenue requirement in Exhibit 2, Section 7, Appendix 8.

7.0 RATE BASE

The Commission continues to measure the rate base by the book value of average invested capital adjusted for any plant and equipment that is deemed to be neither used nor useful. In Order No. 3949, issued June 27, 1980, the Commission made the following statement:

> The Commission reaffirms its preference to measure the rate base by the book value of average invested capital adjusted for any plant and equipment that it deemed to be neither used nor useful. However, the corporate operations of the Applicant encompass both a telephone and an investment division; this structure negates the use of an invested capital rate base. Therefore, until there is a suitable change in the structure of the Applicant's operations, the Commission will rely on the net asset rate base.

As a result of the Applicant's recalculation of the additional revenue requirement, Exhibit 6 was filed with the Commission on March 9, 1982. The Applicant's 1982 average net asset rate base as calculated in Appendix 1, sheet 3 of Exhibit 6 has been used by the Commission in Table 1. As a result of the adjustment to the construction program discussed in Section 10 of this Order, an adjustment of $8,000 to accumulated depreciation is required. The rate base in Table 1 is measured without rate relief.

TABLE 1

NORTHERN TELEPHONE LIMITED

1982 Average Net Asset Rate Base
Telephone Operations
$(000)

	Exhibit 6 Appendix 1 Sheet 3	Commission Adjustment	Revised
1. Total Telephone Property	61,222	(250)[1]	60,972
2. Less: Accumulated Depreciation	19,882	(8)[2]	19,814
3. Net Telephone Property	41,400		41,158
4. Materials & Supplies	530		530
5. Working Capital	(1,626)		(1,626)
6. Sub-total	40,304		40,062
7. Less: Deferred Taxes	6,387		6,387
8. Average total Capital	33,917		33,675

7.1 Material and Supplies

The Material and Supplies allowance as noted in Exhibit 6, Appendix 1, Sheet 3 includes an amount of $250,000 to reflect the bulk purchase of manufacturer discontinued parts for step-by-step COE equipment as explained by the Applicant in reply to interrogatory OTSC27JAN82-511. The Commission accepts the reasons for the substantial increase in the materials and supplies balance and the Applicant's estimate of $530,000 is included in the 1982 test year.

7.2 Working Capital

The Applicant has calculated the working capital allowance by means of the financial statement method with the allowance based on the average of year-end balances. The Commission accepts the estimate of working capital based on the methodology presented by the Applicant but in future applications may require the Applicant to present a comparison of working capital allowances calculated by the financial statement method and the modified FPC approach.

[1] Section 10.0
[2] Section 5.2

8.0 RATE OF RETURN

8.1 Capital structure

The capital structure weights to be applied to each source of financing are an important element in determining the allowed rate of return. The Commission has concluded in previous Orders that the appropriate capital structure to use for the telephone operations is equal to the test year estimated average capital structure of the Applicant without rate relief. The capital structure of the Applicant's total operations taken from Exhibit 6, Appendix 1, sheet 4, is presented in columns (a) and (b) of Table 2.

The dollar amounts of debt, preferred, and equity capital allocated to the telephone operations is presented in column (c) of Table 2. This is obtained by applying the Applicant's capital structure weight for each source of funds to the telephone operations rate base. This method ensures that the sum of the sources of financing for the telephone operations equals the measured rate base.

The existence of an investment division and the use of a net asset rate base for rate making requires that the Commission employ the capital structure weights of Northern Telephone Limited as an approximation of the capital structure of the telephone operations. The Commission does not believe that sources of financing can be identified for the exclusive use of specific divisions. Therefore, until there is a suitable change in the structure of the Applicant's operations, the Commission will not only employ a net asset rate base as discussed in Section 7.0 but will also continue to employ the capital structure weights of the total operations of Northern Telephone Limited to calculate the overall cost of debt and preferred equity of the telephone operations.

TABLE 2

NORTHERN TELEPHONE LIMITED
Telephone Operations
1982 Average Capital Structure

	NTL Total Operations (a) $(000)	(b) (%)	Telephone Operations (c) $(000)
1. Total Debt	26,505	43.7	14,716
2. Preferred Equity	9,144	15.1	5,085
3. Common Equity	24,935	41.2	13,874
	60,584	100.0	33,675

8.2 Cost of Debt Capital

The Commission has used the value of 9.98 percent for the embedded cost of debt capital in 1982, without rates, as calculated by the Applicant in Exhibit 6, Appendix 1, Sheet 5.

8.3 Cost of Preferred Equity

The Commission has used the value of 6.11 percent for the embedded cost of preferred shares in 1982, as calculated by the Applicant in Exhibit 6, Appendix 1, Sheet 7.

8.4 Cost of Equity Capital

The additional revenue requirement of $1,885,000 as calculated by the Applicant in Exhibit 6, Appendix 1, Sheet 9 employed a cost of equity capital of 17.5 percent. Mr. D. Buntain, witness for the Applicant recommended a range for the cost of equity capital of 17.5 to 18.5 percent. During the financial hearing of April 22, 1982, a good deal of time was spent examining the reasonableness of a 17.5 percent cost of equity.

Between October 1981, when the rate application was filed with the Commission and April 1982, the time of the financial hearing, there were significant decreases in financial yields. In fact, the Applicant revised the additional revenue requirement in March 1982 to reflect reductions in estimated interest rates. In exhibit 6, the Applicant revised estimates of interest rates on long term debt to 18 percent from 19.5 percent and on short term debt to 17.5 percent down from 21.0 percent originally forecast. Despite these changes, Mr. Buntain did not believe that the cost of equity should also be revised downward from the range of 17.5 to 18.5 percent originally proposed. Furthermore, Mr. Buntain did suggest, and the Commission concurs, that the degree of business risk and financial risk plays a significant role in determining the cost of equity capital

8.4.1 Business Risk

Business risk can be viewed as the outcome of the operation of a number of factors. The underlying factor is the variability of the economy in which the Applicant provides service. A service area in which there is little or no variability due to cyclical economic factors implies there will be little or no fluctuation in the operating revenues and the result is little or no business risk. This variability generated by economic factors can be exaggerated by other considerations. In the case of the Applicant, Mr. Buntain suggested that these other considerations include:

(a) the ratio of toll to local revenues

(b) the low population density in the service area

Based on an analysis of the economic nature of the service area and the above two points, the witness for the Applicant concluded on page 3 of Exhibit 4 that "the market considers NTL to have a higher degree of business risk than other telephone utilities."

Although Mr. Buntain stated that the Applicant's dependence on businesses which are generally cyclical in nature increases the business risk of Northern Telephone Limited, Mr. Cooper, witness for the Applicant and President and General Manager of Northern Telephone Limited provided another explanation:

> It seems to me that the economy of our North is relatively stable. When conditions are good and booming elsewhere, we do not seem to get the same kind of participation. It seems, on the other hand, when things get tough, it still remains somewhat stable.

The relative stability of the economy in the area served by the Applicant implies to the Commission that there is limited business risk. Mr. Buntain's observation regarding the low ratio of toll to local revenues emphasizes this conclusion. Out of the seven telephone companies listed by the Applicant in reply to interrogatory OTSC27JAN82-515 no other telephone company had as low a toll revenue component as the Applicant. Since toll calling is generally considered to be sensitive to economic activity, the Applicant's lesser reliance on toll revenues further decreases business risk.

The Commission has doubts regarding the applicability of population density measurements as a factor in evaluating business risk. Although the Applicant serves a territory with a relatively low population density, the Applicant did not demonstrate how this would affect business risk.

8.4.2 Financial Risk

Since the cost of equity is positively related to financial risk, the degree of financial risk experienced by the Applicant is an important consideration. On page 5 of Exhibit 4, Mr. Buntain, in his direct evidence stated:

> Financial integrity refers to the ability of the Company to cover interest payments and other obligations of the trust indenture securing long term debt to satisfy dividend requirements and other obligations to preferred shareholders and to attract debt and equity capital at reasonable costs. It also implies fairness to common shareholders.

Precise measurements of financial risk are difficult to quantify. However, certain information provided by Mr. Buntain has provided the Commission with an approximation of the degree of financial risk experienced by the Applicant. In Exhibit 4, Schedule DHLB 1(b), the Applicant is shown to have common equity compromising 41.5 percent of total capital. On page 4 of Exhibit 4, Mr. Buntain explains the relevance of the common equity ratio:

> A less leveraged capitalization can improve a company's credit standing and also reduce the cost of debt capital. Those companies with higher credit ratings usually borrow at a lower rate.

This consideration has not gone unnoticed by the Commission. In Order No. 3949, the following statement was made:

> The comparison of the debt equity ratios of the Applicant to that of the average of telephone companies is important in that it is clearly indicative that the Applicant's source of capital funds is more through equity than through debt, than is common in the industry. In so doing, the Commission is concerned that the Applicant is not taking advantage of its financial leverage which may be resulting in unnecessary additional costs to the subscriber.

The evidence filed by Mr. Buntain in Exhibit 4, Schedule DHLB 1(b) clearly indicates that the Applicant's common equity to total capital ratio of .415 is well above the .380 average for the telephone companies listed and the .370 average for a wide range of public utilities in Canada. A common equity to total capital ratio of .415 indicates to the Commission that the Applicant's financial risk is relatively low.

With reference to the Applicant's reply to interrogatory OTSC27JAN82-522, the Commission notes that with a return on average common equity of 16 percent the interest coverage will be 3.2 times and the total fixed charge coverage is estimated to be 2.4 times. These ratios are in excess of the 3.0 times interest coverage and the 2.0 times total fixed charged coverage suggested by Mr. Buntain, as guidelines used by the investment community. Furthermore at a rate of return on equity of 16 percent, these key ratios are comparable to the telephone companies listed by Mr. Buntain in Schedules DHLB V and DHLB VI. In the absence of evidence to the contrary, the Commission must conclude that the financial risk of the Applicant is no greater than the financial risk of many of the telephone companies and other public utilities to which the Applicant has been compared.

8.4.3 Rate of Return on Equity Range

Given the relatively low business and financial risks of the Applicant, the Commission does not consider a cost of equity in the range of 17.5 to 18.5 percent to be reasonable. The Commission finds instead that a rate of return on equity in the range of 15.5 to 16.5 percent will not only maintain the financial integrity of the Applicant as demonstrated in reply to interrogatory OTSC27JAN82-522 but is fair and reasonable considering the relatively secure business and financial environment of the Applicant. For the purpose of determining an additional revenue requirement in this rate application, the Commission will employ a 16.0 percent rate of return on equity which is the midpoint of the range approved.

8.5 Allowed Range

The allowed rate of return for revenue requirement purposes is set equal to the Applicant's telephone operations overall cost of capital. This latter quantity is based on the Applicant's average capital structure weights for 1982, without rates, the embedded costs of debt and preferred equity consistent with these weights, and the allowed cost of equity capital.

In Table 3 the calculation of the overall cost of capital is presented. The revenue requirement is based on a mid-point allowed rate of return on capital of 11.88 percent for this Application.

TABLE 3

NORTHERN TELEPHONE LIMITED

1982 Overall Cost of Capital for Telephone Operations

	Capital Structure Weights	Cost Rate	Weighted Cost
1. Total Debt	43.7	9.98	4.36
2. Preferred Equity	15.1	6.11	.92
3. Common Equity	41.2	15.5–16.5	6.39–6.80
	100.0		11.67–12.08

9.0 REVENUE REQUIREMENT

The revenue requirement for the purpose of the application is based on a 1982 test year. The subject of test year and the Commission's finding with respect to this matter are presented in Section 3.0 of this Order.

Table 5 presents the calculation of the additional revenue requirement and Table 4 presents the estimated 1982 income statement reflecting the Applicant's submission and the Commission adjustments.

Based on the findings in this Order and on the calculation of additional revenue requirement in Table 5, the Commission concludes that the Applicant has an additional revenue requirement of $1,412,000 in the 1982 test year.

TABLE 4
$(000) Except Lines 19 & 20

NORTHERN TELEPHONE LIMITED
1982 Income Statement

		Exhibit 6 Appendix 1 Sheet 1	Commission Adjustments	Revised Income Statement
1.	Local Service	10,607		10,607
2.	Long Distance Service	8,184		8,184
3.	Miscellaneous Operating	1,450		1,450
4.	**Total Operating Revenues**	20,241		20,241
5.	Depreciation	3,493	(15)[3]	3,478
6.	Customer Services:			
	(a) Maintenance	4,055		4,055
	(b) Sales	368		368
	(c) Commercial	1,218		1,218
	(d) Staff Budget and Results	278		278
7.	Traffic	168		168
8.	Other	5,497		5,497
9.	**Total Operating Expenses**	15,077		15,062
10.	**Net Operating Revenues**	5,164		5,179
11.	Income Taxes	1,909		1,909
12.	**Operating Income**	3,255		3,270
13.	Other Income	80		80
14.	**Net Income**	3,335		3,350
15.	Interest Charges	1,479		1,479
16.	**Net Income**	1,856		1,871
17.	Preferred Dividends	313		313
18.	**Net Income Available to Common Shareholders**	1,543		1,558
19.	Rate of Return on Average Common Equity	11.1%		11.2%
20.	Rate of Return on Average Total Capital	9.8%		9.8%
21.	Average Common Equity	13,959	(85)	13,874[4]
22.	Average Total Capital	33,917	(242)	33,675[4]

[3] Section 5.2
[4] Section 8.0 Table 2.

TABLE 5
$(000) Except Line 2

NORTHERN TELEPHONE LIMITED

1982 Test Year
Additional Revenue Requirement

1. Rate Base	33,675
2. Allowed Rate of Return	11.88%
3. Revenue Requirement before Expenses	4,001
4. Total Income Available	3,350
5. Additional Revenue Requirement before Taxes and Uncollectibles	651
6. Allowance for Additional Taxes and Uncollectibles	761
7. Total Additional Revenue Requirement	1,412

10.0 CONSTRUCTION PROGRAM

In Order No. 3949, June 27, 1980, the Commission observed that in February 1979 the Applicant had made an estimate of 1980 construction expenditures of $5,675,000 but by February 1980 the estimate had dropped to $5,336,000. Similarly, the February 1979 estimated 1981 construction expenditures of $6,375,000 but this estimate was revised downward to $5,515,000 in February 1980. These significant revisions to the construction program prompted the Commission to make the following comment:

> The Commission intends to continue to monitor the level of construction expenditures, the progress of the Rural Upgrade Program and the plans for the introduction of digital switching.

During the processing of this rate application the Commission paid particular attention to the Applicant's construction program. The actual construction expenditures for 1980 and 1981 were greater than both estimates made by the Applicant in 1979 and 1980.

In this application, the Commission was particularly interested in construction program for the 1982 test year. In February 1979, the Applicant estimated construction expenditures of $4.9 million. In March 1981, the Applicant revised this estimate to $7.6 million and when the current application was filed in September 1981, the Applicant in Exhibit 2, Section 5, indicated that the construction program had been increased again to include total construction expenditures of $8.5 million.

From the original estimate of $4.9 million made in February 1979, the construction expenditure forecast increased approximately 75 percent or $3.6 million to the current estimate of $8.5 million. Revisions to the inflation factor and an increase in growth of main stations only account for $2 million of the $3.6 million difference in the estimated construction expenditures for the demand category. The remaining $1.6 million is a result of revisions made by the Applicant to the digital program.

Measuring the construction program in 1971 dollars provides a common base for comparing construction expenditures from year to year.

Exhibit 2, Section 5, Appendix 4 of the rate application illustrates that for the period 1979 to 1983 inclusive, total annual construction expenditures are relatively constant when measured in 1971 dollars. However, even with this adjustment the high level of expenditures planned for 1982 becomes readily apparent. The Applicant explained that this occurrence in 1982 is attributable to the digital installation in Timmins. In 1983 construction expenditures return to a level comparable to the annual expenditures for 1979 to 1981.

In an attempt to better understand the Applicant's long term construction program and to examine the trend of expenditures for the future, the Commission requested the Applicant to file estimated construction expenditures for the period 1977 to 1985 inclusive. Table 6 below is the Applicant's reply to interrogatory OTSC19NOV81-331 for the years 1982 to 1985.

TABLE 6

NORTHERN TELEPHONE LIMITED

Estimated Construction Expenditures
$(000)

	1982	1983	1984	1985
Digital Program only	2,766	1,155	3,207	N/A
Rural Program only	1,166	1,575	1,793	1,072
Total	8,502	7,477	9,702	N/A

Table 6 illustrates that there will be a significant increase in total construction expenditures, in 1984. The Applicant's current plan is to install a large digital switch in the Tri-Town area in 1984. The purchase and initial installation of a digital switch is not an ongoing expenditure and therefore it is expected that construction expenditures will decrease to a more normal level in 1985. The completion of the rural upgrade program in 1985 and the purchase and installation of the digital switches in Timmins and the Tri-Town area during 1982 and 1984 respectively should indicate that construction expenditures will resume to a level which is not a burden to the Applicant or to its customers. However, after 1984 the Applicant plans to increase the rate of modernizing switching equipment to a level of 3,000 lines per year. As a result, total annual construction expenditures will not fall in

1985 but will be maintained at a level of eight ot ten million dollars per year. The Commission is concerned over the level of expenditures proposed by the Applicant to modernize switching equipment.

In Exhibit 17, the Applicant estimated that the effect of the proposed construction program alone will require an increase in local rates of 12.5 percent in 1983, 10.4 percent in 1984 and 10.7 percent in 1985. These increases calculated by the Applicant are in addition to the rates requested in this application.

Even though the rate increases calculated by the Applicant approximate the rate of inflation, the required rates would not allow the customers to benefit from increases in productivity. Any rate adjustment brought about by the introduction of efficient new digital switches appear to be offset by the Applicant's high construction expenditures. The Commission therefore questions whether or not the expenditures proposed by the Applicant will actually result in substantial benefits as had been suggested.

The Commission is of the view that the level of construction expenditure should average approximately $8 million per year for the period 1982 to 1986 inclusive. Expenditures limited to $8 million per year will require the Applicant to review the rate of modernizing switching equipment. A review of this nature will mean that the Applicant should reassess the modernization programs where a rapid payback is not evident.

For the purposes of rate making, the Commission will normalize the extraordinary expenditures for the purchase and installation of the large digital switches in 1982 and 1984. Therefore, for the period 1982 to 1986 the Commission will use annual construction expenditures of $8 million for inclusion in the rate base with some allowance for changes in inflation and growth estimates. This adjustment will temper the upward pressure on local rates and will help to eliminate any extraordinary rate increase for a particular year.

The Applicant had estimated construction expenditures of $8.5 million in the 1982 test year. Therefore, for the purpose of rate making the Commission has reduced construction expenditures by $500,000 to $8 million. In Section 7.0 of this Order, the total telephone property has been adjusted by $250,000 to compensate for the use of an average rate base. Section 7.0 also reflects an adjustment to accumulated depreciation and the required adjustment to depreciation expense is discussed in Section 5.2.

The Commission recognizes the fact that in future years when the Applicant's actual construction expenditure is less than $8 million, a positive adjustment to the rate base may be required. however, it is the Commission's intention to monitor the effect of this adjustment in future rate applications.

11.0 RATE STRUCTURE

The Applicant has proposed that the following services be exempted from rate increases in this rate application; business extensions, residence extensions, TWX, mileage charges, extra exchange mileage, premium telephone features, Cama Trunks, Data services, In-house paging, Telenote Teletype, Wide area paging, Premium colour charges and Department of National Defence services. The Applicant provided the following reason for this exemtion in Exhibit 2, Section 9, page 5.

> The present monthly rates for these services are considered adequate and the Company wishes to maintain the present rates to encourage use of these services. Revenues from Cama Trunks and the Department of National Defence are related to the Traffice Agreement and the D.N.D. Contract respectively.

In reply to interrogatory OTSC19NOV81-403, the Applicant provided the following reasons for no increase in business and residence extensions.

> The Company feels that the demand for these services are very price sensitive and that any increasse in the rates could have a negative impact on Company revenues from these services.
>
> Retaining the present rates will encourage existing customers to keep their service and encourage new customers to add to their services and contribute to the Company's overall rate of return.

In reply to interrogatory OTSC27JAN82-403(A), the Applicant elaborated further on this point.

> In addition to the risk of the possible immediate adverse effects on revenue due to reduced demand resulting from rate increases for business and residence extensions, the Company has also considered that these types of service offerings will possibly become competitive in the future.

During the interrogatory process and during the financial hearing, the Applicant was asked to substantiate the position that there would be a negative revenue impact if the exempted services incurred rate increases. The Applicant was unable to provide the Commission with sufficient evidence that the rates for the services in question are adequate as stated in Exhibit 2, Section 9, or that the "services are very price sensitive" and any increase in rates would have a negative revenue impact as stated in reply to interrogatory OTSC19NOV81-403 or that possibility of competition requires the services be exempted from an increase in rates. The Commission has not been convinced by the Applicant that the reasons quoted above are sufficient to exempt the services from a rate increase. In Sections 1.4 and 1.5 of this Order, the Commission has ordered that the rates for the services exempted from increase by the Applicant, be increased to generate additional annual revenues of $109,000 based on a 1982 test year and that business and residence extension telephone rates be increased by a minimum of eight percent. It should be noted that the Commission has ordered a minimum increase of eight percent for extension telephone rates and that the Applicant has an opportunity to propose an increase greater than this minimum.

Although the Commission has made this adjustment to the Applicant's rate structure, the Commission is willing to hear reasons for exempting certain services from rate increases. However, in future rate applications, the Commission may direct the Applicant to provide sound rationale supported by financial data for special rate treatment of any service or equipment.

12.0 QUALITY OF SERVICE

12.1 Rural Upgrade Program

> The Applicant has a rural upgrade program underway which will convert all multi party subscribers to a minimum of four party service by 1985. The Commission

notes that the program is on schedule with about 2,000 subscribers left to upgrade. The cost of the program, however, continues to increase. Expenditures for the 1981 to 1985 period are approximately one million dollars greater than noted in Order No. 3949. The Applicant suggested that the increases are a result of inflation and the more accurate engineering estimates. Although the Commission has not made any adjustments to the upgrade program the progress and the cost of this program will be monitored. The Applicant's upgrade program as provided in reply to interrogatory OTSC19NOV81-701 is presented below:

TABLE 7

Rural Upgrade Program
1981–1985 Estimates

	Expenditures $(000)	Subscribers
1981	$1,023.2	258
1982	966.0	538
1983	1,465.2	508
1984	1,695.0	487
1985	907.3	255
	$6,056.7	2,046

12.2 Field Hearing

During the field hearing in New Liskeard, customers complained to the Commission regarding the quality of service and the difficulty experienced in trying to get service repaired promptly and adequately. Mr. Cooper, witness for the Applicant indicated verbally that many of the difficulties and outages experienced by customers would be rectified as the Company's upgrade program was completed. Although the upgrade program to a minimum of four party service is not planned for completion until December 1985, many of the customers will be provided with better quality and higher grades of service as specific areas of the operating territory are completed. However, the Commission heard from Mr. Carruthers representing the Temiskaming Federation of Agriculture, who cited a number of examples of customers who had been provided with upgraded telephone service but continued to experience problems with the quality of service. Mr. Cooper promised a written response to Mr. Carruthers addressing his concerns.

The Commission subsequently received a copy of the response signed by Mr. Parker, Director, Customer Services and takes special note of the fact that a repairman has been assigned to work Saturdays in the New Liskeard area on a regular basis and

that this will help to improve repair operation. The Company also addressed the other areas of concern and the Commission notes that it does not have record of any subsequent reply from the Temiskaming Federation of Agriculture.

During the public hearing on April 21 and 22, 1982, the Commission took special note of the Applicant's commitment to complete the rural upgrade program by year end 1985. Many of the Applicant's customers have been upgraded to a minimum of four party service and are currently enjoying this higher level of service. This Commission believes that the upgrade program is a commendable endeavour and that once completed benefits will accrue to both the Applicant and customers. It is the Commission's intention to review the progress of the upgrade program and anticipates the completion in 1985.

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4153
Wednesday, the 23rd day of June, A.D. 1982

BEFORE

V.W. Bielski, Q.C. Chairman	)	IN THE MATTER of sections 6(1), 12, and 105 of The Telephone Act (R.S.O. 1980, c.496)
F.D. Wall Vice-Chairman, and	)	and
D. Austin Member	)	IN THE MATTER of an application by the Corporation of the City of Thunder Bay for approval to change the rates for local telephone service.

HEARD AT: Thunder Bay, April 6, 1982

APPEARANCES AND WITNESSES

For the City of Thunder Bay: A. Hawkins, General Manager
S. Hacio, Assignment Superintendent
M.D. Adel, Investigations Superintendent
S. Leschuk, Central Officer
B. Fummerton, Central Office Superintendent
R. Diem, Acting Outside Planning, Engineering Superintendent
A. Cousins, Line and Cable Superintendent
S. Splawski, City Treasurer
P. Hnaitu, Accounts Receivable Superintendent

For the Handicapped Action Group Incorporated: Mr. R. Ross

For the Township of O'Connor: Mrs. N.E. Myers, Reeve

For Mrs. M. Cryer: Mr. O. Sideen

For Mrs. R. Robinson: Mrs. R. Robinson

1.0 ORDER

1.1 UPON THE APPLICATION of the Corporation of the City of Thunder Bay, hereinafter referred to as the Applicant, upon reading the application and other material filed and upon evidence presented during the hearing,

1.2 THE COMMISSION AUTHORIZES under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496) the Applicant to increase local service rates to generate additional annual revenues of $1,156,224. The new rates will be based upon the estimated average revenue producing units in service during 1982.

1.3 THE COMMISSION HEREBY ORDERS that the local service rates and non-recurring service charges in accordance with section 10.0 of this Order to become effective on or after July 1, 1982.

2.0 BACKGROUND

The Applicant filed an application for approval of changes in local telephone service rates and non-recurring service charges on September 23, 1981. The application requested approval for an additional $1,156,224 in local service revenues based on a 1982 test year. This amount would be generated by an increase of 8.5% for residential and business services and 15% for non-recurring service charges. The application also proposed an increase in rates from 10¢ to 25¢ for pay phones.

On October 30, 1981, the Applicant mailed a Notice of Application to each customer which set out the present and proposed rates. Written interventions were to be filed with the Commission on or before November 30, 1981. The Commission received nine written submissions.

Notice of the Public Hearing to be held in Thunder Bay on April 6, 1982 was placed in the Chronicle Times Journal on March 24, and 31, 1982. The Hearing was held in the City of Thunder Bay on April 6, 1982 at 10:00 a.m., wherein the Commission was able to hear matters in respect to both the service quality and the financial aspects.

The Commission's findings with respect to the financial aspects of the application are contained in sections 3.0 to 9.0 of this Order.

3.0 TEST YEAR

The use of a test year for a revenue requirement calculation permits the Applicant and the Commission to focus on a set of financial data for a particular operating period adjusted to annualize known changes which have occurred or may occur within the operating period. Factors affecting revenues and expenses within the year will only have a partial year's effect in the test year. However, since a full year effect will be realized in future periods an annualizing adjustment must be made. This permits a more accurate calculation of rates which will be sufficient for future periods.

When the application was filed in October, the Applicant proposed the use of a 1982 future test year.

Calculations used to arrive at the information for the 1982 test year were based on the historic data available as at the end of 1980 and the subsequent estimates made for the 1981 fiscal year.

The Commission is cognizant of the advantages and disadvantages associated with using either an historic or a future test year. Although the Commission generally prefers the use of a current or future test year rather than an historic test year, the Commission must be convinced that the benefits outweigh the risks of using any test year period for which estimates are required.

The risk associated with the use of a future test year is primarily related to the uncertainties of forecasts and the possibility that the additional revenue approved may not reflect the actual additional revenue required. Furthermore, the Commission is concerned that the telephone subscriber not be penalized by unreasonably high rates brought about by inaccurate forecasts by the Applicant. Therefore, the Commission must be convinced that the Applicant has the ability to make reasonably accurate estimates for future periods, thus reducing the risk.

In this regard after having reviewed the information so supplied by the Applicant, the Commission has determined to accept the Applicant's use of the future 1982 as the test year, subject to applicable Commission adjustments.

4.0 REVENUES

4.1 Local Service Revenue

In 1981, the Applicant indicated that due to economic conditions the projected revenues were not reached and that in 1982 the growth of operations would be about 450 - 500 stations below forecast. The initial projected growth for total telephones in 1982 was 3,014. Recalculating the growth for 1982 to be 2,549 telephones and combining this with the actual number of telephones as at the end of 1981 would indicate that the total number of telephones in service in 1982 to be 101,286. By multiplying this number of telephones by the estimated average revenue/telephone ($76,29)[1] results in an amount for Local Service Revenue of approximately $7,727,100, a $76,700 reduction to the Local Service Revenue for 1982.

4.2 Toll Revenue

The Applicant estimates its toll revenues at $4,164,709 for 1982. This is based on a 9% increase in messages, a 5% increase in "A" Commission effective June 21, 1982, and an estimated increase in "A" Commission due to an increase in toll price of 10% to be effective as at September 21, 1982. Based on the 9% increase over the 1981 actual messages and annualizing the aforementioned increases, the toll commission would be calculated at $4,646,806; $482,097 higher than the projected amount. Since the Applicant has confidence in the predictions for toll revenue for the Test Year, the adjustment will be set at $482,097.

4.3 Other Operating Revenue

The Applicant in the material filed with the Commission has indicated that due to delay in implementing A.N.I. Equipment, the projected revenue would be reduced.

[1] $7,803/$102,195 – Exhibit 5 – Income Statement Working Papers, page 3.

The Applicant revised the estimated revenues to be $201,544 rather than $245,000, a decrease of $43,456.

4.4 Directory Revenue

The 1982 Directory Revenues were originally forecasted to increase by 12 percent over 1981. By applying this 12 percent to the 1981 actual Directory Revenues and further adding an estimated $60,000, the Applicant's portion of those Directory net profits in excess of 10 percent[2], an adjustment of $47,044 is necessary.

4.5 Summary of Adjustments to Revenue

Table 1 provides a summary of the adjustments discussed in sections 4.1 to 4.4 and in section 5.2.

TABLE 1

STATEMENT OF REVENUE AND SUMMARY OF ADJUSTMENTS 1982 Test Year

	Exhibit No. 2	Commission Adjustment	Revised Revenue
Local Service	8,264,600	(76,700)[3]	8,187,900
Toll Service	4,164,709	482,097 [4]	4,646,806
Coin Telephone	231,000		231,000
Other Operating	704,171	(43,456)[5]	660,715
Non-Recurring Service	644,857		644,857
Other Income	1,773,963	47,044 [6]	1,821,007
Less: Uncollectibles	(110,000)	15,000 [7]	(95,000)
	$15,673,300	$423,985	$16,097,285

[2] Letter from the Corporation of The City of Thunder Bay, dated April 28, 1982
[3] Section 4.1
[4] Section 4.2
[5] Section 4.3
[6] Section 4.4
[7] Section 5.2

5.0 EXPENSES

5.1 Operating Expenses

The Commission has examined operating expenses for the 1982 test year and has required the Applicant to provide additional information regarding some items. As a result of this analysis and for the purpose of determining an additional revenue requirement, operating expenses are found acceptable with the exception of uncollectible revenue, gross receipts taxes, and directory expenses.

5.2 Uncollectible Revenue

The estimated amount of uncollectible revenues in 1982 is $110,000. This represents write-offs for the year 1981 which will be recorded by the Applicant in 1982. This figure, however, does not include some $15,000 in expected recoveries. Therefore, the Applicant's estimate of $110,000 is revised to $95,000 to reflect the expected recoveries.

5.3 Gross Receipts Taxes

The adjustments to revenue, as summarized in Section 4.5, also requires a compensating adjustment to gross receipts taxes. Therefore, the Commission has made an allowance of $21,200 which is approximately 5 percent of the total revenue adjustments.

5.4 Directory Expense

As a result of the revised estimates for Directory revenue and expense submitted by the Applicant[8], the 1982 expenses for directory are now estimated at $930,498 instead of $915,420, an increase of $15,078. An adjustment for this amount is required.

5.5 Depreciation Expense

Based on the information provided by the Applicant through the filing of this application and the application of October, 1978, which resulted in Commission Order No. 3888, the capital expenditures for the City of Thunder Bay Telecommunications since 1970, the date of formation, have been determined. From the Financial Statements of the Telephone Departments of Port Arthur and Fort William, capital expenditures for the years 1965 to 1970 were determined. Assuming, that any assets purchased prior to 1965 to be fully depreciated, and a 5 percent composite depreciation rate, a depreciation expense for each year was calculated. Accepting the estimated construction program of the Applicant for 1982 of $4,771,000, the depreciation expense for 1982 would be $2,628,764, an adjustment of $2,603,764 to the historic $25,000 annually set up for the reserve fund.

[8] Letter from The Corporation of the City of Thunder Bay dated April 28, 1982.

TABLE 2

SCHEDULE OF CAPITAL EXPENDITURES

Purchase Date	
Prior to 1965	$ 7,217,515
1965	894,980
1966	1,148,251
1967	816,692
1968	1,200,588
1969	1,640,458
1970	1,127,779
1971	1,688,243
1972	1,940,523
1973	2,570,062
1974	5,521,719
1975	2,951,631
1976	2,405,439
1977	3,553,400
1978	3,693,771
1979	3,956,364
1980	6,979,358
1981	5,715,027
1982	4,771,000
TOTAL	$59,792,800

6.0 RATE BASE

6.1 Total Telephone Property

As was indicated in Section 5.5, a value for the Total Telephone Property was calculated at $59,792,800[9] as at the end of the 1982 Test Year. The Accumulated Depreciation as of the same period was set at $24,944,463, based on a straight line 5 percent composite rate, and assuming that any assets purchased prior to 1965 were fully depreciated. The purpose of this exercise was to derive a rate base upon which the Commission could approve a rate of return. Since the Applicant follows the allowed method of municipal accounting, that is, Fund Accounting, capital expenditures can be and in this case are expended for revenue, thus making it very difficult to identify the total value of the telephone property. Section 12 of The Telephone Act indicates that a telephone system, except a municipal telephone system, is entitled to a reasonable return on capital investment and so it becomes necessary to identify the capital component of the Applicant's operations.

[9] Table 2, Section 5.5

6.2 Working Capital

The Commission has applied the financial statement method of calculating the working capitalallowance in arriving at the appropriate amount for the Applicant. For the submitted 1982 test year this amounts to $956,125[10] inclusive of materials and supplies. In future applications, the Commission may request the Applicant to file information necessary to allow the Commission to compare the financial statement method with others, such as the Modified Federal Power Commission (FPC) Method.

6.3 Calculation of Rate Base

Table 3 provides the calculation of the Applicant's net asset rate base for the 1982 test year.

TABLE 3

CALCULATION OF NET ASSET RATE BASE

1.	Total Telephone Property	$59,792,800[11]
2.	Less: Accumulated Depreciation	24,944,463[12]
3.	Net Telephone Property	$34,848,337
4.	Working Capital	956,125[13]
5.	Total Capital	$35,804,462

7.0 RATE OF RETURN/REVENUE REQUIREMENT

Table 4 which summarizes the Commission's adjustments arrives at the Revised Income for the test year. This Total Income of $3,261,538[14] before interest charges and without considering any rate increase indicates that for the Applicant with a total capital of $35,804,462[15] there would be a 9.1 percent return on total capital.

The proposed rates of the Applicant would generate an additional $1,156,224 to local service revenues.

The effect of including this additional revenue in the test year is reflected in Table 5. The rate of return on total capital as a result of the full inclusion of the Applicant's request is 12.2 percent. This return in the view of the Commission is reasonable and acceptable, considering the size of the Applicant's operations and the lesser risk it faces with respect to financing in comparison with other telephone systems in the industry.

Table 4 presents the Applicant's 1982 projected income statement, the Commission's adjustments and the revised income statement, indicating that Total Income for the Applicant before interest charges would be $3,261,538.

[10] Exhibit 2, pages 6 and 7
[11] Section 6.1
[12] Section 6.1
[13] Section 6.2
[14] Section 7.0, Table 4
[15] Section 6.3, Table 3

TABLE 4

INCOME STATEMENT
1982 Test Year

		Exhibit 2	Commission Adjustments	Revised Income Statement
1.	Local Service	$ 8,264,600	$ (76,700)[16]	$ 8,187,900
2.	Long Distance Service	4,164,709	482,097 [16]	4,646,806
3.	Miscellaneous Service	3,243,991	18,588 [16]	3,262,579
4.	**Total Operating Revenue**	$15,673,300	$ 423,985	$16,097,285
5.	Depreciation	25,000	2,603,764 [17]	2,628,764
6.	Maintenance	4,031,300		4,031,300
7.	Traffic	114,300		114,300
8.	Marketing and Commercial	1,276,900		1,276,900
9.	General Office	2,561,500		2,561,500
10.	Other	609,900		609,900
11.	Directory Expense	915,420	15,078 [18]	930,498
12.	Gross Receipts/Municipal Taxes	661,385	21,200 [19]	682,585
13.	**Total Operating Expenses**	$10,195,705	$ 2,640,042	$12,835,747
14.	Total Income	5,477,595	(2,216,057)	3,261,538
15.	Interest Charges	391,944		391,944
16.	**Net Income**	$ 5,085,651	$ (2,216,057)	$ 2,869,594

[16] Section 4.5
[17] Section 5.5
[18] Section 5.4
[19] Section 5.3

TABLE 5

INCOME STATEMENT WITH PROPOSED RATES
1982 Test Year

1.	Local Service	$ 9,344,124
2.	Long Distance Service	4,646,806
3.	Miscellaneous Service	3,254,831
4.	**Total Operating Revenues**	$17,245,761
5.	Depreciation	2,628,764
6.	Maintenance	4,031,300
7.	Traffic	114,300
8.	Marketing and Commercial	1,276,900
9.	General Office	2,561,500
10.	Other	609,900
11.	Directory Expense	930,498
12.	Gross Receipts/Municipal Taxes	740,396
13.	**Total Operating Expenses**	$12,893,558
14.	Total Income	4,893,203
15.	Interest Charges	391,944
16.	**Net Income**	$ 3,960,259

8.0 QUALITY OF SERVICE

The Commission having reviewed the written submissions received and considered the comments put forth at the hearing wishes to impress upon the Applicant its concerns regarding certain service problems that have arisen.

During the hearing, a written submission was received from the Pass Lake/Cloud Bay/ Kaministiquia Telephone Action Committee concerning Extended Area Service between their area, which are Bell Exchanges, and the City of Thunder Bay.

The Commission is aware of this concern and in a letter to this Committee on November 17, 1981, indicated the Commission's position.

> The Commission is aware, as evidenced in your correspondence, that there is a desire for E.A.S. between Pass Lake and Thunder Bay. The Commission is also aware that Thunder Bay and Bell Canada will be in a position to offer extended area service to Pass Lake by 1983. Based on previous E.A.S. applications, the Thunder Bay and Bell Canada's proposed time frame is not unreasonable. However, E.A.S. between Pass Lake and Thunder Bay will have to be approved by both the Canadian Radio-television and Telecommunications

Commission and the Ontario Telephone Service Commission. The Commission's consideration of E.A.S. between Pass Lake and Thunder Bay will be based on the concerns outlined in the enclosed E.A.S. Policy letter.

The complaints of Mrs. Myers, the Reeve of the Township of O'Connor, Mrs. Cryer and Mrs. Robinson, and others with similar complaints regarding the delay in upgrading of service from multi-party to 4-party service, dialing problems, line static, and other line related problems, and in general problems related to the lack of privacy in the multi-party lines have to be addressed by the Applicant.

The Commission is aware of the Applicant's upgrading program which, for the Township of O'Connor, will be completed by the end of 1982 and for all other subscribers within the service area by the end of 1983. The Commission commends the Applicant for its planning and expects the Applicant to readily fulfill its obligations.

The Commission is concerned with the lack of contact between the customer and the telephone system and suggests that the Applicant extend a little more effort in their contact with their subscribers, by letting them know that work has been done, individually, or for an area, and what the plans are for the future.

The Applicant is requested to keep the Commission informed of its undertakings in settling the complaints of these customers and of any future dialogue with the Handicapped Action Group with respect to special rates and equipment.

9.0 COMMENT

In Section 6.0 of the Order, the Commission calculated a net asset rate base using known capital expenditures and a 5% composite rate for depreciation purposes. In Section 7.0 of the Order, the total income for the test year was arrived at, notably taking into account a revised depreciation expense amount based on the 5 percent composite rate. It is felt that this method better meets the needs of the Commission in determining the revenue requirement of the Applicant.

In Section 2.0 of the Order, it was noted that the Applicant had applied for an additional $1,156,224 in annual revenues.

In Section 1.0 of the Order, the Commission approved the final rate structure as proposed by the Applicant.

The Commission is satisfied with the Construction Program of the Applicant and wishes to be kept aware of any changes to the Long Range Planning Program and the work done with respect to E.A.S.

10.0 RATES

10.1 Basic Monthly Exchange Rates

(a) City of Thunder Bay Zone "A" map TBT57-73 (Appendix B attached).

	Business	Residence
Individual line	$10.65	$5.00
Two-party line	7.95	3.75
Four-party line	6.55	3.40
Trunk line	13.35	6.25

(b) Rural Thunder Bay Zone "B", roughly a 5 mile band around the City of Thunder Bay and the Village of Kakabeka Falls as defined by maps TBT58-73, TBT59-73 and TBT66-73 (Appendix B attached).

	Business	Residence
Individual line	$14.60	$6.95
Two-party line	12.00	5.65
Four-party line	9.35	4.45
Multi-party line	6.80	3.30
Trunk line	17.30	8.15

No increases in Multi-party line rates have been approved in this application.

(c) Rural Thunder Bay Zone "C", all rural areas served by Thunder Bay Telephone, roughly outside the 5 mile band as defined in Zone "B": which includes the townships of Pearson, Gillies, O'Connor, Marks, Lybster, Fraleigh, Strange and part of Conmee as defined specifically by maps TBT60-73, TBT61-73, TBT62-73, TBT63-73 and TBT64-73. (Appendix B attached.)

	Business	Residence
Individual line	$18.65	$8.75
Two-party line	15.95	7.55
Four-party line	12.00	5.65
Multi-party line	9.05	4.35
Trunk line	21.30	10.05

No increases in Multi-party line rates have been approved in this application.

Where any of the boundary lines are shown along a road, both sides of the road will be defined in the lesser area. (400 ft. from centre of the road.)

10.2 Extension Telephones

Class of Service	Monthly Rate
Business – all zones	$ 2.00
Residence – all zones	1.40
PBX – Manual	2.00
Step-by-step	3.10
Common control	7.40
PBX Hotel-Motel and Hospitals (rooms)	
– Step-by-step	2.55
Common control	3.05

10.3 Non-Recurring Service Charges

Business Service
Primary Exchange Service – to provide a telephone and/or line

	Service Charge
Central Office line, including one telephone, each	$40.75
Party line service, including one telephone, each	40.75
Trunk line, each	40.75
Take over a working main PBX or order trunk service (change of name)	13.75
To extend a Central Office line or trunk line to an answering board	17.75
Reconnection of temporary suspension of service	17.75
Restoration of service – restoration of each main service suspended for violation of regulations and/or non-payment of account, without termination of service	17.75

Extension telephones – to provide an extension telephone or PBX extension

	Service Charge
Extension telephone, each	$21.50
PBX extension line including one telephone, each	21.50
PBX extension in excess of one for each line	21.50
Off-premises extension (within same wire centre business or residence)	21.50

10.3 Non-Recurring Service Charges (Cont'd)

Residence Service

	Service Charge
Primary Exchange Service – provide one or more Central Office lines, main telephones or trunk lines, each	$24.50
As above, with equipment in place and no change required	17.75
Customer initiated request for telephone change or installation of an extension - same visit	10.75
Take over working main service (change of name)	7.75
Reconnection of temporary suspension of service	17.75
Restoration of service – restoration of each main service suspended for violation of regulations and/or non-payment of account, without termination of service	17.75
Extension telephones – provide one or more extension telephones including telephone, each	21.50
For other work performed on a customer's premises, each unit	21.50
When first extension is installed at the same time as the main service. The S.C.C. does not apply to the extension. All zones.	
Teledapt Jack Location, phones picked up by customer.	
One Central Office line and any number of telephones up to the number of jacks in place	17.75
Transfer of main telephone service and any number of extensions to a teledapt jacked location up to the number of jacks in place	17.75
Customer visit "phone store" to add or change phones	7.75

10.3 Non-Recurring Service Charges (Cont'd)

Other Work (Residence or Business)

	Service Charge
Change of telephone instrument equipment and/or facilities. To change from one telephone instrument to another at customer's request	$21.50
Change of location on same premises, each telephone	21.50
Miscellaneous equipment for which there is no service charge	21.50
Change of extension telephone from one main telephone line to another, each	21.50
Change of PBX extension line from restricted to unrestricted or vice-versa, each	21.50
Change of Central Office line, trunk line or wats access line from one answering board terminal to another, each	21.50
Change of telephone number at the customer's request	17.75
Traffic studies requested by customers (2 per year, gratis) maximum each study 2 weeks, all other studies extra charges will apply). Normal work week Monday to Friday	40.75

Directory listing changes at customers request

Primary listing:	Business	13.75
	Residence	7.75
One or more Extra Listings in a Primary listing:		
	Business	13.75
	Residence	7.75

10.4 Directory Listings

Extra listings:	Business	0.50
	Residence	0.45
	Non-Published Service	1.20
	Joint User	3.75

10.5 Coin Telephones

Initial charge for coin telephone call	0.25

10.6 Auxiliary Services

Monthly charges and service connection charges for auxiliary services and equipment are listed in Appendix A of this Order.

APPENDIX A

SECTION I

Basic Service	Monthly Rate
Toll Denial Unit	
Business and Residential, per telephone	$ 3.95
Toll Denial	
Business and Residential, per line	1.55
Short Term Telephone	
(see Note 1) All Zones	
Temporary Suspension of Service (T.S.S.)	
All Zones Half Monthly Regular Rate	
Digipulse Service per line (except Key System – PBX-PABX)	
Business – each	3.70
Residence – each	2.50
Touch-Tone Service per line	
Business – each	3.70
Residence – each	2.50
Off Premises Extensions	
(see Note 2) All Zones	
Answering Service Lines	
(see Note 2) All Zones	

Note 1: Two (2) months minimum charge, plus S.C.C.

Note 2: Apply local mileage charges and regular extension rate if telephone instrument required, plus S.C.C.

SECTION V: Private Branch Exchange Service

Class of Service	Monthly Rate	Service Connection Charge
Manual PBX Systems		
Cordless switchboard, each position		
No. 507B	$ 24.15	$ 88.25
No. 555 – capacity 60 extension lines	38.10	102.25
– capacity 120 extension lines	52.70	102.25
Dial PBX Systems		
No. 701 or 740 attendant's position, each		
No. 552A (Cord Non-Multiple)	52.70	307.00
No. 552D or 605A (Cord Multiple)	67.30	307.00
No. 607A (Cord Multiple)	146.35	307.00
No. 608 (Cord Multiple)	109.80	307.00
No. 508 (Cordless)	102.50	307.00
Dial Equipment		
Selectors, connectors and selector connectors	6.20 (see Note 1)	
Dial station line terminal, each	1.10 (see Note 1)	
Common equipment		
– 2 digit system	80.50 (see Note 1)	
– systems of 3 or more digits	109.80 (see Note 1)	

Note 1: SCC are based on units. Units are computed by adding dial station terminals, selectors, connectors, and selector-connectors and the charges are as follows:

Two Digit System:	– 60 units or less, each	$870.25
	– additional 10 units or less	143.50
Three Digit System:	1 – 100 units, each	30.75
	1 – 200 units, each	24.50
	1 – 300 units, each	21.50
	1 – 400 units, each	19.00
	Over 400 units, each	17.25

SECTION V: Private Branch Exchange Service (Cont'd)

Class of Service	Monthly Rate	Service Connection Charge
Switchboard Consoles – Cordless		
1 – 50 lines	$19.75	$143.50
Over 60 lines	26.65	215.25
Special Console (i.e. 4A)	51.20	256.00
Switching Equipment (Common Control)		
1 – 50 lines	29.30	717.00
Each additional 50 lines	29.30	717.00
Touch-tone feature	36.55	205.00
Switching Equipment (Electronic)		
1 – 50 lines	29.30	512.00
Each additional 50 lines	29.30	205.00
Touch-tone feature	36.55	205.00
Telephones equipped for touch-tone calling	1.20	21.50
Telephones equipped for digipulse	3.70	21.50
Additional Features PBX Systems		
Busy lamps field, each unit 50 – (common control)	8.75	88.25
Busy lamps field, each unit 50 – (electronic)	11.75	88.25
Dial Access terminal paging	4.45	21.50
Night answering arrangement	3.30	21.50
Tie Trunk Terminal, each		
– Manual	3.95	21.50
– Outgoing	7.95	21.50
– Incoming	15.95	21.50
– Outgoing and Incoming Dial	19.90	21.50
– Tandem Operation	15.95	88.25
Emergency power – common control	31.10	108.75
Emergency power – electronic	98.70	108.75
Executive ringback – (Sg-1 or SG1A)	13.00	21.50
Toll restriction or denial, each trunk	4.75	21.50
Toll restriction or denial for locals, (electronic)	5.70	21.50

SECTION V: Private Branch Exchange Service (Cont'd)

Class of Service	Monthly Rate	Service Connection Charge
Dial PBX Dictation – Recording Terminal		
When provided with a SxS PBX system, each	$21.30	$21.50
When provided with other dial PBX systems, each	35.95	21.50
Dictation – recording attendant's hand telephone, each	2.00	21.50
Conference Equipment		
Manual Conference Equipment		
5 line capacity	7.95	21.50
Dial Conference Equipment		
5 line capacity (SxS and common control)	5.30	21.50
10 line capacity (SxS and common control)	10.65	21.50
5 line capacity (electronic)	12.65	21.50
Arrangements for Night and Holiday Service		
Bridging connection, each	3.95	21.50
Night cord with 3 plug ends	.35	21.50
Night cord with 4 plug ends	.70	21.50
Night cord with 5 plug ends	1.00	21.50

SECTION VI

Class of Service	Monthly Rate	Service Connection Charge
Hotel-Motel and Hospital (rooms only) Private Branch Exchange Services		
Regular rates and charges apply for switchboards and switching equipment. Trunk lines (see Basic Rates)		
Telephones equipped for touch-tone calling. **(Note 1)**	$ 1.20	$ 21.50
Telephones equipped for digipulse dialing. **(Note 1)**	3.70	21.50
Single digit dial terminal	4.45	72.75
Message Register		
Cumulative type, each	.40	
Reset type, each	.65	
Common equipment, (each group of 50)	85.25	108.75
Message Waiting		
Each telephone	.85	
Common Equipment	22.10	108.75
Call Answering Board		
Position equipped for 1 – 40 lines	51.20	88.25
Position equipped for 41 – 100 lines	67.30	102.25
Concentrator Identifier Equipment		
Concentrator identifier equipment of 50 lines or 100 line capacity	199.60	2,621.75
Bridging charge for the connection of service with concentrator, each	2.00	

Note 1: S.C.C. does not apply on original installation or when other work is done on set.

SECTION VII

	Order Turret Service	Monthly Rate	Service Connection Charge
Automatic Call Distributor Systems			
Model 40:	Attendant's position, each	$ 7.95	$108.75
	Common equipment	558.85	319.50
	Register equipment	32.00	21.50
	Night announcement equipment	13.35	65.50
	Delayed announcement equipment	86.40	40.75
Model 200:	Attendant's position, each	7.95	108.75
	Common equipment – 20 positions or less	359.25	188.25
	Common equipment – each additional 10 positions	119.75	71.50

SECTION VIII

Push Button Telephone Systems Key Equipment Intercom, and Paging Systems	Monthly Rate	Service Connection Charge
Push Button Telephone Systems		
Illuminated System		
– includes pick-up, hold and illumination, each line	$ 4.35	
– 6 button telephones – 3 lines S.K.I. **(Note 1)**	2.30	24.50
– 6 button telephones – **(Note 1)**	3.70	24.50
– 6 button E/W exclusion feature **(Note 1)**	4.35	24.50
– 12 button key external **(Note 1)**	17.50	61.50
– 10 or 12 button call director **(Note 1)** (logic - corinthian)	10.95	61.50
– 18 or 20 button call director or logic **(Note 2)**	19.55	88.25
– 30 button call director **(Note 1)**	26.65	145.50
– 60 button call director **(Note 1)**	49.75	256.00
– Face plate additional on logic, each **(Note 2)**		6.25
Digipulse per set **(Note 3)**	3.70	24.50
Cut Off and Exclusion Feature		
Manual cut off, each	.50	21.50
Manual exclusion, each	.50	21.50
Automatic Exclusion		
Each line or each telephone	1.90	21.50
4A Key Equipment and Head Set Unit		
– 4A key equipment with holding feature, each	2.00	21.50
– 4A key equipment without holding feature, each	2.00	21.50
– Head set unit, each	1.25	

Note 1: Pick-up, hold and illumination, extra $4.35 per line.
Note 2: Maximum charge $15.50 per visit.
Note 3: S.C.C. does not apply on original installation.

SECTION VIII (Cont'd)

Push Button Telephone Systems Key Equipment Intercom, and Paging Systems	Monthly Rate	Service Connection Charge
Monitoring Equipment		
Each line	$ 1.50	$21.50
Busy Lamp Cabinet (Key System)		
– 12 lamps	4.25	58.75
– 24 lamps	5.60	104.25
– Logic busy station	3.80	104.25
Special Key Telephone Units		
– Busy line lamp, control relay, each circuit	1.85	21.50
– 2A-KTU (battery for paging system)	1.00	21.50
– 1K4 Relay	0.65	21.50
– 219-A-KTU (repeater)	8.00	21.50
– 227-BKTU (sequential hunt)	2.70	21.50
– 229-KTU (line transfer relay)	2.50	21.50
– Delayed ring transfer unit – QUN-20A	2.15	21.50
Inter-communicating Circuits with Dial Signalling		
Dial Selective – Signalling Unit		
Dial type signalling unit		
– first 10 dial codes or less	14.60	63.25
– additional dial code unit, each	–	21.50
– additional dial code, each	1.10	–
– busy tone feature	3.75	21.50
– busy tone feature with flashing lamp	5.70	21.50
– touch tone selection	13.85	21.50
– intercom conversion bell relay – 12 volt	.35	21.50
Link type signalling unit		
– first 10 dial codes or less	51.20	130.75
– additional dial code, each	3.70	–
– additional dial code units, each	–	63.25
– touch tone selection	24.95	21.50
– long line circuit	2.95	21.50
Add-on Conference Feature		
– each Central Office line or PBX extension line	2.95	21.50
– each telephone equipped for add-on	1.70	21.50
Manual Intercom		
each	2.05	21.50

SECTION VIII (Cont'd)

Push Button Telephone Systems Key Equipment Intercom, and Paging Systems	Monthly Rate	Service Connection Charge
Paging Systems		
Amplifiers – under 25 watts	$ 6.65	$40.75
Amplifiers – 25 to 75 watts	12.50	40.75
Amplifier loudspeaker	7.30	40.75
Loudspeakers:		
– low output	1.90	21.50
– medium output	2.15	21.50
– high output	3.95	21.50
– for use in explosive atmosphere	7.50	21.50
Input:		
– microphone	3.95	21.50
– telephone, key equipment or switchboard jack	2.00	21.50
– for connection of customer-owned radio paging to PABX equipment	5.30	21.50
Business Interphone F		
Initial business interphone telephone (basic equipment)	13.60	24.50
Additional telephone equipped for business interphone, each	1.65	21.50
Loudspeaker – microphone – indoor, each	1.65	21.50
Loudspeaker – microphone – outdoor, each	2.30	21.50

SECTION IX

Mileage Charges	Monthly Rate	Service Connection Charge
Local Mileage		
VOICE GRADE CHANNELS other than Business or Residence main station between buildings on different properties.		
1 – 50 circuits – first ¼ mile	$3.30	$40.75
1 – 50 circuits – additional ¼ mile, each	1.05	
Over 50 circuits – first ¼ mile	2.10	40.75
Over 50 circuits – additional ¼ mile, each	.70	
Greater Band Width Than Voice Grade		
Not-equalized – first ¼ mile	3.95	40.75
Non-equalized – additional ¼ mile, each	1.45	
5000 to 8000 Hertz – first ¼ mile	4.35	40.75
5000 to 8000 Hertz – additional ¼ mile, each	1.80	
8000 to 15000 Hertz – first ¼ mile	4.70	40.75
8000 to 15000 Hertz – additional ¼ mile, each	2.10	
Circuits Between Buildings on Continuous Property		
– First 10 circuits, each (max. ¼ mile run)	.90	40.75
– Next 15 circuits, each (max. ¼ mile run)	.65	40.75
– Circuits in excess of 15 each (max. ¼ mile run)	.25	40.75
– Individual circuits between points in same building or on same property, each (max. ¼ mile run)	2.15	21.50
– Inter-exchange mileage per ¼ mile	1.45	40.75

SECTION X

Telephone Station Equipment	Monthly Rate	Service Connection Charge
– Dawn (E/W Gold Ring) – (Note 1)	$ 2.15	$21.50
– Contempra – Trendline telephones, each (Note 1)	1.20	21.50
– Doodle (E/W 1 pad and 1 pencil) (Note 1)	1.95	21.50
– Logic 1 (Note 1)	1.95	21.50
– Princess – Contessa telephones, each (Note 1)	1.20	21.50
– Ericaphone telephone, each (Note 1)	1.20	21.50
– Two line telephone, each (Note 1)	1.10	21.50
– Tri-line telephone, each (Note 1)	3.70	21.50
– Telephone set less dial, each (Note 1)	1.85	21.50
– Speakerphone, each	12.40	21.50
– Speakerphone, Companion I	4.90	21.50
– Touch-tone Service		
– Business, each extension telephone	1.20	21.50
– Residence, each extension telephone	1.20	21.50
– Digipulse Service		
– (except Key System – PABX and PBX)		
– Business, each extension telephone	1.20	21.50
– Residence, each extension telephone	1.20	21.50
– 2 line key, each	1.00	21.50
– 3 line key, each	1.45	21.50
– Secretarial answering units		
– 10 lines	13.35	58.75
– 20 lines	24.45	71.50
– Single line hold button	1.05	21.50
– Mickey Mouse Telephone, each (Note 1)		
– 1st year	9.75	21.50
– thereafter	2.70	
– Alexander Graham Plane, each (Note 1)		
– 1st year	6.80	21.50
– thereafter	1.90	
Decorator Telephones		
– Chest telephone, each (Note 1)	4.25	21.50
– Antique telephone, each (Note 1)	4.25	21.50
– Antique wooden wall telephone, each (Note 1)	4.25	21.50
– Candlestick telephone, each (Note 1)	2.65	21.50
– Telephone with explosive atmosphere feature (Note 1)	9.20	21.50
– Telephone with explosive atmosphere feature (Note 1) installed after Jan. 1, 1979	26.05	21.50
– Telephone outdoor weatherproof, each (Note 1)	3.20	21.50
– Telephone (building elevator), each (Note 1)	7.10	21.50
– Pedestal, each	2.00	21.50

SEXTION X (Cont'd)

Telephone Station Equipment	Monthly Rate	Service Connection Charge
Decorator Telephones (Cont'd)		
– Handset, equipped with volume control:		
– hearing, each **(Note 1) (Note 2)**	$ 2.15	$21.50
– speech, each **(Note 1) (Note 2)**	2.15	21.50
-- Noisy location – special transmitter, each **(Note 1)**	1.10	21.50
Automatic Dialer		
Magicall, each	20.50	21.50
Auto-Dialer Logic	10.00	21.50
Auto-Dialer	9.05	21.50
Automatic Telephone Answering and Recording Equipment		
– Answering and recording equipment tape maximum – 2 hr. each 700	25.60	21.50
– Answering and recording equipment, 30 second announcement, tape maximum 20 minutes remote playback – Feature 440-444-333	23.35	21.50
– Answering and recording equipment – tape maximum 10 minutes, each (Memory Phone)	11.20	21.50
-- Addition pocket coder, each	2.70	Nil
– Back spacer, each	1.75	21.50
– Answering equipment, each 200A	17.50	21.50
– Monitor recorder, each	21.90	21.50
– Foot switch	1.25	21.50
-- Special receiver	1.20	21.50

Note 1: In Addition to monthly rates.
Note 2: At Doctors request. No monthly rental, only S.C.C.

SECTION XI

Other Equipment	Monthly Rate	Service Connection Charge
Ring Down Circuit		
Installed on customer premises	$ 4.40	$40.75
Installed in Central Office	3.70	40.75
Facsimile Equipment		
– Telescript receiver	47.30	61.50
– Telescript transmitter	54.05	61.50
– Telescript transceiver	81.00	61.50
– End-of-message unit	4.40	
Neutralizing Transformers		
Monthly charge shall be on the basis of total circuits each transformer is equipped with:		
– 2 K.V. transformer, each circuit	2.60	21.50
– 3 K.V. transformer, each circuit	7.50	21.50
– 4.5 K.V. transformer, each circuit	8.15	21.50
– 7.5 K.V. transformer, each circuit	17.65	21.50
– 9 K.V. transformer, each circuit	17.65	21.50
– 12.5 K.V. transformer, each circuit	7.60	21.50
Custom Calling Features		
Call forwarding – business	4.35	17.75
Call forwarding – residence	2.40	17.75
Call waiting – business	3.65	17.75
Call waiting – residence	2.40	17.75
Three way calling – business	3.05	17.75
Three way calling -- residence	2.40	17.75
Speed calling (8 code) – business	3.05	17.75
Speed calling (8 code) – residence	1.80	17.75
Speed calling (30 code) - business	4.35	17.75
Speed calling (30 code) – residence	2.95	17.75
Maximum S.C.C. of $26.75 for two (2) or more customer features.		
No monthly rental increase on custom calling features. Tariffs originally established based on software costs for electronic/digital Central Offices.		
Jack and Plug Equipment		
Jack, each	.60	21.50
Weatherproof jack, outdoor, each	1.15	21.50

SECTION XI (Cont'd)

Other Equipment	Monthly Rate	Service Connection Charge
Line Signals		
Each push button, buzzer or No. 7 bell (Note 1)	.60	21.50
Extension bell, regular, each	.60	21.50
Extension bell, (loud gong), each	.90	21.50
Bell chime, each	1.20	21.50
Lamp Signals		
1 lamp indicator, each	.60	21.50
2 lamp indicator, each	.80	21.50
3 lamp indicator, each	1.05	21.50
Commercial Power Signals		
Telecode relay, each (Note 2)	1.50	21.50
Bell vibrating – 8 inch, each	1.65	21.50
Bell vibrating – 10 inch, each	2.95	21.50
Horn – indoor, each	2.45	21.50
Horn – outdoor, each	2.95	21.50
Receiver		
Single head receiver, each	.55	
Double head receiver, each	.85	
Head and Hand Sets – Additional		
For each console or attendant's position one (1) supplied	N/C	
Additional head, set, each, and jack mounting	1.30	
Additional hand set, each	1.45	
Lightweight headset, each	6.15	
Voycall Equipment		
– 15/25/1/1 – One bay exchange, each	44.90	85.00
– PS-382 – Power supply, each	1.50	
– DP-11 – Dual phone (single), each	8.30	43.25
– DP-31 – Dual phone (five line), each	10.85	46.25
– DP-32/HF-10 – Dial phone with speaker and phone adapter	16.65	67.75
– CSM-6A – Master station, each	3.55	43.25
– CSM-6AH – Master station E/W handset, each	5.00	43.25
– CSM-8W – Wall telephone master station, each	3.05	43.25
– CSN-2 – Paging adapter, each	.65	
– DP-51 – Rotary dial (10 button), each	12.65	83.00

Note 1: If a push-button, buzzer or bell is installed as a circuit, only one S.C.C. will apply. If an additional buzzer or bell is installed at the same time, ½ the S.C.C. will apply.

Note 2: Customer will supply commercial power.

SECTION XI (Cont'd)

Other Equipment	Monthly Rate	Service Connection Charge
Special Assemblies		
Reset register	2.45	21.50
Rotary splitting feature	3.30	21.50
44V4 shelf E/W 359H equalizers and No. 227 amp.	21.15	65.50
Special Assembly for Sure Staff Interface		
Bell Canada Commercial		
1 register (non-resetable RGD66E 24V)	3.75	Cost of
1 card file (position model 7483-5W)	41.45	Labour
1 line card (position model 7356)	20.40	and
1 register card (position model 7483)	28.60	Material
Special Assembly for Data Route Circuit		
Royal Bank of Canada		
Candian Imperial Bank of Commerce		
Jack Panel	2.95	Cost of
Loop back key	4.25	Labour
Dual 2W/6W conference bridge	2.35	and
Dual line amplifier	7.10	Material
Fuse distribution module	2.15	
Wescom 4UA-13 Universal Shelf	14.55	
Cords		
Block 13 ft. coloured or 14 ft. neutral, each (Note 1)	5.30	21.50
Handset – coiled 13 ft. each (Note 1)	5.30	21.50
Operator – coiled 10 ft. each (Note 1)	7.15	21.50
Operator – coiled 15 ft. each (Note 1)	11.45	21.50
Mounting cord for 6 button telephone:		
– 9 ft. each	39.15	21.50
– 13 ft. each	43.00	21.50
Block -- 25 ft. neutral (Note 1)	6.50	21.50

Note 1: Service charge will not apply if work is done at the same time on the telephone.

SECTION XII

Customer Provided Equipment	Monthly Rate	Service Connection Charge
Telephone		
Telephone approved for connection as is **(Note 1)**		$ 43.25
Telephone requiring modification **(Note 1)**		107.50
Customer provided telephotograph equipment, operating in connection with individual line telephone service only. Requires protective connection equipment.	1.30	21.50
Key, if switching of telephone and protective-connection equipment is to be effected.	.85	
EC 30A Voice Coupler (CKPR Radio Station)	1.45	21.50
Customer provided voice-recording equipment, except in connection with public or semi-public service. Requires recorder-connector equipment supplying distinctive "beep" tone.	6.95	21.50
Customer provided data-transmitting and receiving equipment, operating in connection with individual line telephone service only. Requires data connector equipment (if system provides data-phone, also specific tariff, therefore shall apply).		
— — manual	5.30	43.25
— E/W automatic answering feature	10.00	43.25
Customer provided automatic answering equipment operating in connection with individual line or PBX service only. Requires voice-coupler equipment (QCS2B Coupler).	6.95	21.50
UAV-3N ESC-20721-1 (Elgin) voice station coupler (for customer provided dictation equipment).	11.95	21.50
Customer provided alarm detecting and sending device equipment, operating in connection with individual line or PBX service only. Requires alarm-coupler equipment.	6.95	21.50
Trouble found in customer owned equipment, each visit		43.25

Note 1: Existing monthly rental will apply.

SECTION XIII

Arrangements for Data Transmission	Monthly Rate	Service Connection Charge
Channels for Data Transmission		
Channel-conditioning arrangements – same exchange		
– two point not arranged for switching	$13.30	$27.25
– type 4A conditioning, each channel	13.30	33.75
– type 4B conditioning, each channel	47.30	49.75
– type 4C conditioning, each channel	49.00	61.50
Channel conditioning between exchanges		
– type 4C conditioning	63.10	61.50
Conditioning to provide zero DB at 1000 Hertz	15.25	40.75
Special amplifier	15.25	51.25

SECTION XIV

PBX System – Centrex	Monthly Rate	Minimum Monthly Charge	Service Connection Charge
Centrex I			
153 extension lines or less – each	$ 19.35	$1,936.25	$ 21.50
154 extension lines or more			
First 500 extension lines, each	14.90	3,744.50	21.50
Next 1000 extension lines, each	17.40		21.50
Over 1500 extension lines, each	13.45		21.50
Centrex II			
153 extension lines or less – each	21.30	2,134.45	21.50
154 extension lines or more			
First 500 extension lines, each	16.45	4,119.10	21.50
Next 1000 extension lines, each	15.30		21.50
Over 1500 extension lines, each	17.40		21.50
Each telephone in excess of one on a line	2.00		21.50
Restricted extension	11.95		21.50
Centrex recorder intercept arrangement	5.05		30.75
Immediate Ringing Feature			
Initial 100 extension lines	31.50		
Each additional 100 extension lines	12.65		
Data Set Direct Access to Wats on Centrex			
Initial arrangement	69.45		102.25
Additional arrangement on same premises	10.10		102.25
Attendant's position	150.40		460.75
Attendant's transfer feature	2.80		3.00
Centrex console push-button access	4.80		46.25
Attendant camp-on – common equipment	5.30		15.25
Restrict dial access to and tandem arrangement of tie trunks	50.50		102.25
Transfer arrangement – foreign exchange Trunk to a remotely located telephone	12.65		61.50
Equivalent Service enlargement	49.75		205.00
Tie trunk network restriction	3.80		15.50
Tie trunk Toll Diversion –			
each system			
each location	94.65		

SECTION XIV (Cont'd)

PBX System Centrex	Monthly Rate	Service Connection Charge
Tie Trunks – Miscellaneous Arrangements		
(a) Tie trunks busy register	$ 9.45	$ 61.50
(b) Silence buzzers	3.80	122.75
Common equipment	5.05	51.25
Each group of tie trunks equipped	6.30	20.50
4-Wire tandeming with pad control		
Common equipment	5.05	
Each tie trunks terminator	12.65	23.00
Tie trunk multiples to push-button telephones		
Each tie trunk	4.40	30.75
Network Access Via 3-digit code on Centrex II		
Each tie trunk	9.45	40.75
Denial of dial access to tie trunks		
Each tie trunk	4.30	30.75
Sequence use of extension lines for dictation		
Recording	44.20	102.25
Diversion of dial access to WATS and foreign exchange – Each trunk group	11.40	61.50
Tie Trunk Terminal, each		
Outgoing dial	9.30	25.25
Incoming dial	20.85	25.25
Outgoing and Incoming dial	24.85	25.25
Manual appearance of dial or manual tie trunk	5.40	25.25
Secretarial hunting, each line	.65	25.25

SECTION XV

Rental	Monthly Rate	Service Connection Charge
Arrangements for Data Transmission		
Types of Data Sets		
– N.E. 103A2 (300 B.P.S.)	$ 39.75	$ 74.75
– N.E. 202C (0-1800 B.P.S.)	74.60	153.75
– T 202E9 (0-1200 B.P.S.)	37.25	61.50
– T A201A3/4E (2000 B.P.S.)	149.25	307.00
– 202 S/T – 1200 B.P.S. to 1800 P.B.S. (ASYNC)	28.75	153.75
– 201 LSI – (2000 – 2400 B.P.S.) SYNCHRONOUS	124.35	245.50
– 201 CLSI (200 – 2400 B.P.S.) SYNCHRONOUS	56.70	245.50
– LDS-309 (Gandalf) Limited Distance, SYNCHRONOUS 9600 B.P.S.	24.30	61.50
– LDS-140 (Gandalf)	23.85	61.50
– No. 611 (Directran)	14.00	47.50
Multicom II Service		
Multicom II access (240 B.P.S.)	124.35	49.25
Associated T 201B3 Data Set with auxiliary TT set	155.45	307.00
Data connector equipment	5.25	37.00
Automatic exclusion	2.15	18.50
Network security		61.50
Unattended answer	10.60	24.50
Local loop around test circuit		61.50
ULK Special Assembly	12.75	38.50
Arrangements for Data Transmission		
Voicecom I Access Line		
Includes 1 FB + 6-10 dialer	111.85	40.75
Change location of data, multicom II and Voicecom I sets ½ regular service connection charge.		

Chairman

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4162
Wednesday, the 30th day of June, A.D. 1982.

BEFORE

V.W. Bielski, Q.C.
Chairman, and

D.A. Austin,
Member.

IN THE MATTER of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496),

and

IN THE MATTER of an application by the Corporation of the Town of Kenora for approval to change the rates for local telephone service.

HEARD AT: Kenora, April 7th, 1982.

APPEARANCES

For the Town of Kenora:

D.T. McLeod, Chief Administrative Officer
G. Hagar, Municipal Accountant
G. Dunford, Inside Plant Manager

For Mr. Brandrick:

Mr. Brandrick.

1.0 ORDER

1.1 UPON THE APPLICATION of the Corporation of the Town of Kenora, hereinafter referred to as the Applicant, upon reading the application and other material filed, and upon evidence presented during the hearing,

1.2 THE COMMISSION AUTHORIZES, under and in pursuance of sections 6(1), 12, and 105 of The Telephone Act (R.S.O. 1980, c.496), the Applicant to increase local service rates to generate additional annual revenues of approximately $51,192 based upon the number of local service revenue producing units as of December 31, 1981.

1.3 THE COMMISSION HEREBY ORDERS that the local service rates and non-recurring service charges in accordance with ection 10.0 of this Order to become effective on or after July 1, 1982.

1.4 THE COMMISSION FURTHER ORDERS that the Applicant prepare and file with the Commission quarterly a schedule indicating the status of the investment portfolio, showing as minimum detail, the date of issue, description, amount and maturity date.

2.0 BACKGROUND

The Applicant filed an application which was accepted by the Commission in July, 1981, for approval to increase the local telephone rates and non-recurring service charges. It was estimated by the Applicant that the increase would result in additional annual revenues of approximately $51,192 and would require an average rate increase of approximately 10.0 percent.

On August 7 and August 14, 1981, the Applicant placed a Notice of Application in the local newspaper which set out the present and proposed rates. Written interventions were to be filed with the Commission on or before September 11, 1981. There were no submissions as a result of the notices.

Notice of the Public Hearing to be held in Kenora on April 7, 1982 was placed in the Kenora Daily Miner and News on March 24 and 31, 1982. The hearing was held in Kenora on April 7, 1982 at 2:00 p.m., wherein the Commission was able to hear matters with respect to both the quality of service and the financial aspects. During the financial section of the hearing, the Applicant was directed to file a number of replies to questions which the Applicant could not answer during the hearing. The Commission's findings with respect to the financial aspects of the application are contained in sections 3.0 to 9.0 of this Order.

3.0 TEST YEAR

The use of a test year for a revenue requirement calculation permits the Commission and the Applicant to focus on a set of financial data for a particular operating period adjusted to annualize known changes which have occurred or which are expected to occur within the operating period. Factors which influence revenues and expenses within the test year should be annualized because a full year effect of any changes will be realized in future periods.

The Applicant used projected results in its application for the 1981 fiscal year as the basis for its test year. However, the Commission, because the actual results as presented by the financial statements would reflect more accurately the financial requirements of the Applicant, has determined that the 1981 actual fiscal year results represent the test year.

4.0 REVENUES

4.1 Local Service Revenue

The Applicant's 1981 financial statement shows local service revenues of $665,322[1] which the Commission considers acceptable for use in this application.

4.2 Toll Revenue

Toll revenue of $562,619[1] determined from the 1981 was also accepted without adjustment.

4.3 Coin and Non-recurring Service Charge Revenues

Coin telephone revenue from non-recurring service charges in the amounts of $37,536[1] and $44,350[1] respectively representing the 1981 results is used in determining the revenue requirement of the Applicant.

4.4 Other Income

Other income of $482,608[2] including investment income of $411,664 is acceptable to the Commission.

4.5 Summary of Revenues

Table 1 summarizes the revenues used in the determination of the revenue requirement.

TABLE 1

Statement of Revenue
1981 Test Year

Local Service	$665,322
Toll Service	562,619
Coin Telephone	37,536
Non-recurring Service Charges	44,350
Other	482,608
Less: Uncollectible	(5,940)
	$1,786,495

[1] Financial Statements of the Corporation of the Town of Kenora.
[2] Financial Statements of the Corporation of the Town of Kenora.

5.0 EXPENSES

5.1 Operating Expenses

The Commission has examined operating expenses for the 1981 test year and has required the Applicant to provide additional information regarding some items. As a result of this analysis and for the purpose of determining an additional revenue requirement, operating expenses are found acceptable with the exception of depreciation expense, and other expenses.

5.2 Uncollectible Revenue

The provision of Doubtful Accounts, as set up by the Applicant in the amount of $5,940[3] is deemed to be acceptable in view of the collection policies of the Applicant.

5.3 Depreciation Expense

The Applicant calculates depreciation expense on its telephone plant at a rate of 8%.

The Commission, however, utilizing the schedules of asset additions and disposals as provided by the Applicant, recalculated on the straight line basis at a five percent (5%) composite rate the depreciation expense for 1981. This revised depreciation expense for 1981 is $125,743, an adjustment of ($29,551).

5.4 Other Expenses

The provision for Digital Multiplex Switching[4] equipment has been excluded in the calculation of the operating expenses for the 1981 test year inasmuch as the provision is an appropriation of surplus for capital expenditures which is not allowed, for rate-making purposes, in the calculation of the revenue requirement for the Applicant.

6.0 RATE BASE

The Commission, in examining the financial statements of the Applicant, and finding that it has no long-term debt, has determined to use the Applicant's accumulated equity of $6,177,930 as the invested capital rate base for the purpose of determining a revenue requirement for this application.

7.0 RATE OF RETURN/REVENUE REQUIREMENT

Table 2 which summarized the Commission's adjustments arrives at the Revised Income for the test year. This Total Income of $752,709[7] without considering any rate increase indicates that for the Applicant with a total capital of $6,177,930[8] there would be a 12.2 percent return on total capital.

The proposed rates of the Applicant would generate an additional $51,192 to local service revenues.

[3] Financial Statements of the Corporation of the Town of Kenora.
[4] Exhibit 2, page 4.
[7] Table 2
[8] Section 6.0

The effect of including this additional revenue in the test year is reflected in Table 3. The rate of return on total capital adjusted to include effect of proposed rates as a result of the full inclusion of the Applicant's request is 12.9 percent. This return in the view of the Commission is reasonable and acceptable, considering the financial position and, structure of the Applicant.

TABLE 2

INCOME STATEMENT
1981 Test Year

	Financial Statement	Commission Adjustments	Revised Income Statement
1. Local Service	$ 665,322		$ 665,322
2. Toll Service	562,619		562,619
3. Coin Telephone	37,536		37,536
4. Non-recurring Service Charges	44,350		44,350
5. Other	482,608		482,608
6. Less: Uncollectible Revenues	(5,940)		(5,940)
7. **Total Revenue**	$1,786,495		$1,786,495
8. Maintenance	613,785		613,785
9. Marketing and Commercial	15,000		15,000
10. General Office	223,476		223,476
11. Other	250,000	(250,000)[5]	–
12. Depreciation	155,294	(29,551)[6]	125,743
13. Gross Receipts Tax	55,782		55,782
14. **Total Operating Expenses**	$1,313,337	$ (279,551)	$1,033,786
15. **Net Income**	$ 473,158	$ (279,551)	$ 752,709

[5] Section 5.4
[6] Section 5.3

TABLE 3

INCOME STATEMENT WITH PROPOSED RATES
1981 Test Year

1.	Local Service	$ 716,514
2.	Toll Service	562,619
3.	Coin Telephone	37,536
4.	Non-recurring Service	44,350
5.	Other	482,608
6.	Less: Uncollectibe Revenues	(6,400)
7.	**Total Revenue**	$1,837,227
8.	Maintenance	613,785
9.	Marketing and Commercial	15,000
10.	General Office	223,476
11.	Other	
12.	Depreciation	125,743
13.	Gross Receipts Tax	58,342
14.	**Total Operating Expenses**	$1,036,346
15.	**Net Income**	$ 800,881

8.0 QUALITY OF SERVICE

The Commission has not received any service complaints from customers of the Applicant, nor were any written submissions received against the proposed rate increase as outlined in the application.

The Commission is aware of the Applicant's construction program to maintain its system and to implement digital equipment at the time when the present equipment reaches full capacity.

The Applicant is commended on its planning process but the Commission expects the Applicant to remain cognizant of the needs of the subscribers and continue to inform them of future plans.

The Applicant is requested to keep the Commission informed of any changes in the proposed digital program.

9.0 COMMENT

During the processing of the rate application, the Commission required the Applicant to respond to a number of interrogatories regarding the financial results for the current year. These interrogatories were designed to ascertain whether or not the Applicant had done an adequate and satisfactory job of forecasting.

The wide variance in the net income from the initial filing of $105,000[9] to that estimated and eventually being the 1981 year end amount of $473,158, necessitated the Commission to deliberate on the application in view of actual results rather than projected.

The Commission suggests that the Applicant review its budgetary process, especially if rate applications are going to be filed in the same manner.

10.0 RATES

These rates will be consistent for Kenora, Coney Island and Lake Lines.

10.1 Basic Service	Monthly Rate
Individual Line – Commercial	$ 8.80
Individual Line – Residence	4.40
Two Party Line – Commercial	–
Two Party Line – Residence	3.30
Trunk Line – Commercial	12.00
Push Button Service per Telephone	
– Commercial	2.00
– Residence	2.00
Toll Denial	1.40
Short Term Telephone	2 mos. min. + S.C.C.
Temporary Suspension of Service	½ monthly rate
Extension Telephone – Commercial	1.50
Extension Telephone – Residence	1.10
Off Premises Extension – Add Mileage – (Answering Service Lines considered off premises extension)	
Extra Listings	.45
Non Pub Service	1.00
Joint User	3.00
Public Telephone (Pay Station)	.10 per call
Semi-Public Telephone (Pay Station not accessible to general public)	12.00 month (Guarantee)

[9] Exhibit 2, page 5

10.2 Non-Recurring Service Charges

	Service Charge
Service Connection Charge – Commercial	
Central Office Line including 1 telephone	$25.00
Party Line Service including 1 telephone	25.00
Trunk Line	25.00
Take Over Working Line (name change)	10.00
To extend a Working Line to an Answer Board	10.00
Reconnect Temporary Suspension	10.00
Restore Service after Suspension (i.e., Non-pay)	10.00
Service Connection Charge for Extension Phones	
Extension telephone	10.00
PBX Extension including 1 telephone	10.00
PBX Extension in excess of 1 telephone	10.00
Off Premise Extension	20.00
Other Work (Commercial or Residence)	
Change Telephone Instrument at customer request	10.00
Change Location on same premises	10.00
Miscellaneous Equipment not covered	
Change Extension from one line to another	10.00
Change PBX Extension from Restricted to Unrestricted – (vice-versa)	10.00
Change one Termination to another	10.00
Change any Line from One Answer Board to another	20.00
Change Telephone Number at customers request	10.00
Service Connection Charge – Residence	
Provide one or more C.O. Lines plus telephone	15.00
Take over Working Service (name change)	10.00
Re-connect Temporary Suspension	10.00
Extension Telephones	
Provide each Extension Telephone	10.00
For other Work Performed on customer premises (each unit) (*First extension installed at time of main telephone – N/C each additional extension ½ S.C.C.)	10.00
Restoration of Service	
To restore service after disconnect for violation of regulation and/or non-payment of account	10.00

10.3 Auxiliary Services

	Monthly Rate	Service Charge
Private Branch Exchanges		
Manual Systems:		
Cordless No. 507B each position		
NE Type 555: Capacity 60 Ext. (30)	$18.50	$ 75.00
NE Type 555: Capacity 120 Ext. (40)	23.50	75.00
Dial Systems:		
Switchboard Consoles – cordless		
– 1 – 50 lines	18.70	120.00
– over 50 lines	24.00	175.00
Switching Equipment (Common Control)		
– 1 – 50 lines	25.00	350.00
– 51 – 100 lines	25.00	350.00
Switching Equipment (Electronic)		
– 1 – 50 lines	25.00	350.00
– 51 – 100 lines	25.00	350.00
PBX Extensions:		
Manual – without dial	.90	10.00
– with dial	1.50	10.00
Dial Systems Common Control (Min. charge 21 Ext.)	5.00	10.00
Dial Systems Electronic (Min. charge 35 Ext.)	5.00	10.00
Telephones Equipped for Touch Tone Calling	5.00	10.00
Telephones Equipped for Digipulse Calling	2.00	10.00
Additional Features PBX		
Busy Lamp Field Common Control (each Unit 50)	8.25	75.00
Busy Lamp Field Electronic (each Unit 50)	8.25	75.00
Dial Access Terminal Paging	5.00	10.00
Night Answer Arrangement	3.00	10.00
Tie Trunk Terminal, each		
– Manual	3.60	10.00
– Outgoing	7.20	10.00
– Incoming	14.40	10.00
– Outgoing + Incoming Dial	18.00	10.00
– Tandem Operation	14.40	10.00
Emergency Power		
– Common Control	28.00	90.00
– Electronic	89.00	90.00
Toll Restriction or Denial per trunk	3.80	10.00
Toll Restriction or Denial for Locals – (Electronic only)	5.00	10.00

10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
Conference Equipment		
Manual 5 line capacity	$ 5.00	$10.00
Dial Conference Equipment		
5 line capacity (SXS and Common Control)	4.50	10.00
10 line capacity (SXS and Common Control)	9.60	10.00
5 line capacity (Electronic)	11.50	10.00
Dial PBX Dictation Recording Terminal		
With SXS PBX	19.25	10.00
With other PBX	32.50	10.00
PBX Hotel/Motel		
Regular rates apply for switchboards and switching equipment trunk lines (see basic rates)		
PBX Locals (Administrative)		
– Common Control (min. charge 21 locals)*	5.00	10.00
– Electronic (min. charge 35 locals)*	5.00	10.00
PBX Locals (Non-Administrative)		
– Common Control (min. charge 21 locals)*	2.50	10.00
– Electronic (min. charge 35 locals)*	2.50	10.00
Single Digit Dial Terminal	4.00	61.50
Message Register		
Reset Type	.50	
Common Equipment (each group of 50)	70.00	52.00
Message Waiting		
Each telephone	.70	
Common equipment	17.75	52.00
Call Answering Board		
Position equipped for		
– 1 to 40 lines	45.00	75.00
– 41 to 100 lines	60.00	85.00

* *Combined*

10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
Push Button Telephone Systems		
1A1 Key Telephones		
C.O. trunks	$ 8.80	$25.00
Six button set	6.00	10.00
Logic 10 set	9.70	30.00
Logic 20 set	15.00	40.00
SM1 set	16.50	40.00
Dial I/C	10.00	30.00
Exclusion feature	.35	10.00
Tri-Line Telephones		
C.O. trunks	8.80	25.00
Telephones	2.50	10.00
Manual I/C	1.75	10.00
SK1 Telephones		
C.O. trunks	8.80	25.00
Telephones	4.00	10.00
Manual I/C	1.75	10.00
Cut Off and Exclusion Feature		
– Manual cut off (each)	.45	10.00
– Manual exclusion (each)	.45	10.00
Automatic Exclusion		
– Each line or telephone	1.50	10.00
Busy Lamp Cabinet (Key System)		
– 12 lamps	3.80	50.00
– 24 lamps	5.05	88.00
– Logic busy station	3.45	88.00
Special Key Telephone Units		
Busy Line Lamp Control Relay (each circuit)	1.65	10.00
2A-KTU (battery for paging system)	1.00	10.00
AK4 relay	1.00	10.00
219-AKTU (repeater)	7.40	10.00
227-BKTU (sequential hunt)	2.55	10.00
229-KTU (line transfer relay)	1.75	10.00
Delayed ring transfer unit QUN-20A	1.95	10.00
10 AKTU (auto exclusion unit)	1.75	10.00

10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
Intercom Circuits with Dial Signalling		
Dial Selective Signalling Unit		
Dial Type		
– First 10 dial codes or less	10.00	32.00
– Additional dial code unit		10.00
-- Each additional dial code	.85	
– Busy tone feature	4.00	10.00
– Busy tone feature with flashing lamp	5.75	10.00
– Intercom conversion bell relay (12 volt)	.30	10.00
Add-On Conference Feature		
Each C.O. line or PBX extension line	2.35	10.00
Each telephone equipped for Add-on	1.30	10.00
Manual I/C	1.75	10.00
Paging Systems		
Amplifiers (under 25 Watts)	10.00	20.00
Amplifiers (25 - 75 Watts)	10.00	20.00
Loud speakers (low output)	1.75	10.00
Loud speakers (medium output)	1.75	10.00
Loud speakers (high output)	3.00	10.00
Business Interphone		
Initial business interphone telephone (basic equipment)	12.30	25.00
Additional telephone equipped for business interphone -- each	1.45	10.00
Loud speaker – microphone		
– indoor (each)	1.45	10.00
– outdoor (each)	2.05	10.00
Local Mileage		
Voice Grade Channels (Main Cable)		
First ¼ mile	2.20	15.00 R 25.00 C
Each additional ¼ mile	.85 Min. $5.00/mo.	
Circuits Between Buildings on Continuous Property		
First 10 circuits (max. ¼ mile run) each	.85	25.00
Next 15 circuits (mas. ¼ mile run) each	.60	25.00
Circuits in excess of 15 (max. ¼ mile) each	.25	25.00
Individual circuits between points on same property, each	2.00	25.00

R - Residential
C - Commercial

10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
Telephone Station Equipment		
Contempra telephones	1.00	10.00
Dawn telephones (e/w gold ring)	2.00	10.00
Doodle telephones (e/w 1 pad, 1 pencil)	1.80	10.00
Logic 10	9.70	30.00
Logic 20	15.00	40.00
Two line telephone	1.00	10.00
Tri line telephone	2.50	10.00
Speaker phone and Companion 2	8.00	10.00
Speaker phone Companion 1	4.50	10.00
Touch tone service (each extension)	2.00	10.00
Digipulse (except key set and PBX)	2.00	10.00
2 line key	.75	10.00
3 line key	1.00	10.00
Secretarial answering units		
– 10 line	12.00	30.00
– 20 line	22.00	40.00
Single line hold button	1.00	25.00 max.
Decorator Telephones		
– Chest telephone	5.00	10.00
– Antique telephone	5.00	10.00
– Antique wooden wall telephone	5.00	10.00
– Candlestick telephone	4.00	10.00
Special Telephones		
– Telephone with explosive atmosphere feature	7.65	10.00
– Telephone (outdoor weatherproof)	1.90	10.00
– Telephone (building elevator)	6.40	10.00
– Pedestal	1.80	10.00
– Handset e/w volume control		
– Hearing	1.75	10.00*
– Speech	1.75	10.00*
– Noisy location (special T.X.)	1.00	10.00
– Electronic sentry	16.00	10.00
Automatic Dialer		
Tele-dialer logic	7.75	10.00 R 15.00 C
Tele-dialer 32	7.75	10.00 R 15.00 C

* *No. S.C.C. with medical request.*
R - Residential
C - Commercial

10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
Telephone Station Equipment		
Automatic Answer and Record Equipment		
Answer & recording equipment – 2 hr. capacity	20.00	10.00 R 15.00 C
Answer & record 30 sec. announcement – 20 min. messages with remote playback	30.00	10.00 R 15.00 C
Other Equipment		
Jack & plug equipment (each jack)	.50	10.00
Weather proof jack	1.00	10.00
Direct lines	10.00	50.00
Push button and buzzer or No. 7 bell	.40	10.00
Extension bell (regular)	.55	10.00
Extension bell (loud gong)	.80	10.00
Bell chime	1.00	10.00
Lamp signals (1 lamp)	.45	10.00
Lamp signals (2 lamp)	.70	10.00
Lamp signals (3 lamp)	.90	10.00
Commercial Power Signals		
Telecode relay	1.50	10.00
Bell vibrating – 8 inch	1.50	10.00
Bell vibrating – 10 inch	2.75	10.00
Horn – indoor	2.30	10.00
– outdoor	2.75	10.00
Head and Handsets		
One supplied N/C with each attendants position or console		
Each additional headset	1.20	
Each additional handset	1.30	
Lightweight headset	5.50	

R - Residential
C - Commercial

10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
Other Equipment		
Cords *	**Non-recurring Charge**	
Line 13 ft.	4.00	10.00
Line cord 25 ft.	4.50	10.00
Handset coiled 13 ft.	4.75	10.00
Operator coiled 10 ft.	6.50	10.00
Operator coiled 15 ft.	10.50	10.00
Line cord for 6 button set – 9 ft.	30.00	10.00
– 13 ft.	36.00	10.00
Cords replaced for non-recurring charge only		
Coloured sets	10.00	
Customer Provided Equipment		
Telephone approved for connection as is	**	25.00

** S.C.C. for cords does not apply if ordered at time of original installation.*
*** Existing monthly rental will apply.*

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4167

Friday, the 23rd day of July, A.D. 1982

BEFORE

V.W. Bielski, Q.C. Chairman,	)	IN THE MATTER of sections 6(1), 14, 89 and 94 of The Telephone Act (R.S.O. 1980, c.496),
F. Wall, Vice Chairman,	)	and
M. E. Parry, Member, and	)	IN THE MATTER of an application by the Wildwood Campers Association in regard to the setting of terms and conditions for the provision of telephone service by the Tuckersmith Municipal Telephone System.
G. Klosler, Member	)	

HEARD AT: Toronto, July 15, 1982

APPEARANCES

Wildwood Campers Association:	Mr. M. Ducharme
Tuckersmith Telephone System:	Mr. M. Graham, Secretary-Treasurer Mr. L. Ferguson, Director Mr. E. Hayter, Director Mr. W.D. Wilson, Director

1.0 ORDER

1.1 UPON THE APPLICATION of the Wildwood Campers Association, hereinafter referred to as the Applicant, upon reading the said application and evidence presented during the hearing,

1.2 THE COMMISSION HEREBY ORDERS, under and in pursuance of sections 6(1), 14, 89 and 94 of The Telephone Act (R.S.O. 1980, c.496), that Tuckersmith Municipal Telephone System, hereinafter referred to as the Telephone System, provide telephone service to the Applicant as so requested.

1.3 THE COMMISSION FURTHER ORDERS that the Telephone System shall secure a deposit of up to $500.00 from the Applicant before the provision of telephone service by the Company according to the following conditions:

a) the customer shall be notified of the deposit request and further that such deposit will earn interest at an average rate paid by Canadian Charter banks on savings accounts for the period that the deposit is retained.

b) the customer's credit rating shall be reviewed from time to time, but no later than twelve months from the date service was provided, and once the customer's credit is satisfactorily established, the amount of the customer's deposit and any interest accrued thereon will either be credited to the customer's account or refunded directly to the customer on the customer's request.

2.0 REASONS

On June 28, 1982, the Applicant filed with the Commission its application requesting that the Telephone System provide telephone service upon such terms and conditions to be determined by the Commission.

Based on the evidence filed and presented during the hearing by the Applicant and the Telephone System, it is important to note herein the sequence of events and, in particular, the circumstances as to the Applicant, the Telephone System, and a third party, to be herein called Mr. Lehnen.

In 1976, the Telephone System was requested to provide basic telephone service in a private park in its territory by a new customer. The customer was Mr. Lehnen, who was the owner and operator of the park, known then as the Yogi Bear Campsite. The Telephone System installed a cable in the area to provide the basic telephone service as applied by Mr. Lehnen.

In 1977, the Telephone System also installed a key system with five extensions and three PBX lines in the Campsite as applied for by Mr. Lehnen. Also the Telephone System received payment of its billings consisting of monthly rates plus toll.

In 1978, the Telephone System installed a WATS line in the same area, as applied for by Mr. Lehnen, as well as additional cable in order to connect with a trunk line for the added facilities. Three months after the installation so provided, Mr. Lehnen requested to disconnect all the telephone service in the Campsite including the key system, extensions, and the WATS line.

In 1980, Mr. Lehnen re-applied for telephone service for the same Yogi Bear Campsite so re-named Wildwood on the River. As requested, the Telephone System installed again a key system and extensions but in different locations than those in 1978 within the Campsite. It is further noted that the monthly billings consisting of a monthly rate of $129.90 plus considerable toll, were paid by the customer, Mr. Lehnen, to the Telephone System in 1978 to 1980.

In October 1981, the Telephone System did not receive the payment of the billings from Mr. Lehnen. The monthly billings continued being unpaid from October onwards, notwithstanding the 30-day notice to pay on each monthly billing.

By February 1982, four months after the initial unpaid billings an outstanding debt of $5,800.00 was still unpaid by Mr. Lehnen. At that time the Telephone System disconnected all services pursuant to section 89(3) of the Telephone Act, after giving proper seven days notice in writing to the customer.

The relationship between the Applicant, and Mr. Lehnen, owner and operator of Wildwood on the River Campsite, must be so noted. As previously described, Mr. Lehnen was the owner and operator of a private park, who leased lots with an option to purchase, and provided many facilities for the residents of the park lots. The Applicant, an incorporated body, is the organization of the residents of the park.

The Applicant so represented by Mr. M. Ducharme at the Commission hearing was for some time concerned with the affect of the financial problem of Mr. Lehnen in regard to the operation of the park. As a result an agreement was reached between the Association and Mr. Lehnen, whereby the Association is to be responsible for the provision of all services including telephone service to the park facilities. In short, the Applicant is to take over Mr. Lehnen's business operation in the Campsite.

In January of 1982, the Applicant applied, as a new customer, to the Telephone System for the provision of telephone service in the same area which had been provided to Mr. Lehnen. Up to the time of the Commission hearing, the Telephone System had not provided telephone service.

In light of all information, the Commission concluded that there is no dispute per se as to telephone service between the Applicant and the Telephone System. The only reason telephone service was not provided to a new customer in the specific area was because of the default of payment of accounts by the previous customer served in the same area and for the same telephone service. As Mr. Graham, witness for the Telephone System, stated "I can assure you we would like to provide telephone service. I think you can see our point too. We have nothing against the Campers Association, but we thought we done our point. It cost a lot of money to provide service in there, but somehow we have got to collect it." In this regard, the Commission concluded that there is no reason why the Telephone System should not, pursuant to section 89(1), provide the telephone service to the Applicant, as so requested.

The Commission appreciates that the Telephone System in order to accommodate all requests of Mr. Lehnen for service has encountered much undue burden and financial risks. The Applicant has undertaken to carry on all the operations in the park as provided by the previous customer, which entails similar financial risk.

Due to the circumstances, the Commission concluded that a security deposit of an amount up to $500.00 would give the Telephone System the assurance that it needs in order to provide telephone service to the Wildwood on the River Campsite.

However, the Commission also realizes that the new customer, Wildwood Campers Association, must be provided with a telephone service.

Chairman

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4187

Wednesday, the 3rd day of November, A.D. 1982

BEFORE

V.W. Bielski, Q.C. Chairman	)	IN THE MATTER of sections 6(1), 15 and 21 of The Telephone Act R.S.O. 1980, c.496)
F.D. Wall Vice Chairman	)	and
E.A. Frith Member	)	IN THE MATTER of a Uniform System of Accounts for the Telephone Systems in Ontario
M.E. Parry Member	)	
G. Klosler Member, and	)	
D. Austin Member	)	

HEARD AT: Toronto, November 3, 1982

1.0 ORDER

1.1 WHEREAS THE COMMISSION, upon its own motion, initiated the development of a system of accounts to permit the filings to the Commission by the telephone systems in Ontario to be on a uniform basis.

1.2 AND WHEREAS, after having considered the concerns and responses of the representatives of the telephone systems in Ontario, the Commission determined it expedient to introduce a 'Uniform System of Accounts'.

1.3 AND WHEREAS THE COMMISSION, deems that a 'Uniform System of Accounts' will assist in any necessary inquiry as to the determination of the level and the sufficiency of rates.

1.4 THE COMMISSION HEREBY DIRECTS, under and in pursuance of sections 6(1), 15, and 21 of The Telephone Act, (R.S.O. 1980, c.496), that the telephone systems under its jurisdiction and identified in accordance with the particulars of General Instruction 01.1, annexed hereto as Appendix A, shall use the 'Uniform System of Accounts' as issued by this Commission.

1.5 THE COMMISSION FURTHER DIRECTS, the telephone systems in Ontario to take the necessary steps to implement the Uniform System of Accounts be in effective use by the appropriate systems by January 1, 1984, or one full year after a telephone system's next fiscal year end. if the year end is different than December 31, 1982.

2.0 REASONS

2.1 THE COMMISSION, recognizing the need for uniformity and comparability in the accounting policies and practices of the telephone systems under its jurisdiction, embarked upon a program of introducing the 'Uniform System of Accounts' to the systems.

A feasibility study of June 1977, prepared on behalf of the Commission, recommended the 'Uniform System of Accounts' be developed using the 'Uniform System of Accounts' of the Federal Communications Commission as a basis. In the year 1979, a study paper was released attempting to identify the major issues as related to the 'Uniform System of Accounts'. The first draft of the Commission's 'Uniform System of Accounts' was issued in August, 1980, and after considering the comments of the telephone systems represented by their Association, (Ontario Telephone Association), the second draft was issued in November, 1981.

2.2 The annual reports filed in conjunction with the 'Uniform System of Accounts', will expedite the rate application process and assist the Commission in determining rates that are just and equitable.

2.3 The 'Uniform System of Accounts' introduced at this time will allow for a period of implementation, whereby revisions can be made by the Commission both as the results of its own review and at the recommendation of the telephone systems. This revision process would extend beyond January 1, 1984, to allow for changing accounting policies and practices and industry requirements.

APPENDIX "A"

01. GENERAL INSTRUCTIONS

01.1 Designation of Classes

For accounting purposes, telephone companies are designated into classes as follows:

(a) *A Class 1* telephone system is one which has 4,000 or more main stations;

(b) *A Class 2A* telephone system is one which has between 2,500 and 4,999 main stations (inclusive);

(c) *A Class 2B* telephone system is one which has between 1,500 and 2,499 main stations (inclusive); and

(d) *An Exempt* system is one which has less than 1,500 main stations.

The initial classification of a system shall be based on the data as of the end of its fiscal year nearest the date of the adoption of the USOA. In the case of a telephone system which, based on the data for a fiscal year, meets the criteria of a class different from its original classification on that date, it shall have two years from the date of reclassification to satisfy the requirements of this regulation.

ONTARIO TELEPHONE SERVICE COMMISSION

INTERIM ORDER NO. 4188

Thursday, the 18th day of November, A.D. 1982

BEFORE

V.W. Bielski, Q.C. Chairman	)	IN THE MATTER of sections 6(1), 15, 21 and 91 of The Telephone Act (R.S.O. 1980, c.496),
E.A. Frith Member, and	)	and
D.A. Austin Member	)	IN THE MATTER of the interconnection of customer provided terminal equipment to the facilities of the telephone systems subject to the jurisdiction of Ontario

HEARD AT: Toronto, June 23, 24, 1982.

APPEARANCES AND WITNESSES

For Canadian Business Equipment Manufacturers Association (CBEMA)	:	G. Murray, IBM Canada Limited F. Paine, Honeywell L. Goddard, Dictaphone Canada Limited K. Lees, IBM Canada Limited
For Canadian Federation Communications Workers (CFCW)	:	B. Mather, Federal Chairman
For Canadian Radio Common Carriers Association (CRCCA)	:	D. Grandstone, Treasurer and Director M. Batten, Association Manager E. Cockle, Director

APPEARANCES AND WITNESSES (Cont'd)

For CNCP Telecommunications	:	H. Marr T. Moore
For the Corporation of The City of Thunder Bay	:	A.M. Hawkins, Manager, Telecommunications Department
For Consumer and Corporate Affairs Canada	:	B. Finlay, Counsel D. Shires C. Zielinsksi, Attorney, Wald, Harkrader and Ross
For International Brotherhood of Electrical Workers Local 339	:	M. Skillen, President Local 339
For Joint Submission – Durham Telephones Limited/Hurontario Telephones Limited/ North Norwich Municipal Telephone System	:	J.E. Downs, General Manager, Durham Telephones Limited A. Williams, General Manager North Norwich Municipal Telephone System
For Mid Canada Phone Systems	:	E. Kannen, President D. Gray, Director, Technical Services
For Northern Telephone Limited	:	M.W. Cooper, President and General Manager M.C. Rand, Counsel
For Ontario Hospital Association	:	P. Wood, Ass't. Executive Director, Communications
For Ontario Telephone Association	:	K.V. Stevens, President L. Mardlin, Director J.W. Dunn, General Manager and Secretary

1.0 ORDER

1.1 WHEREAS the Commission has been cognizant of the customer provided terminal equipment to the facilities of Bell Canada in Ontario;

1.2 AND WHEREAS the Commission has been cognizant of a change in attitudes and opportunities of telephone customers in Ontario for the interconnection of customer provided terminal equipment;

1.3 AND WHEREAS there has been an increasing number of applications filed pursuant to section 91 of The Telephone Act for the interconnection of specific makes and types of terminal equipment;

1.4 AND WHEREAS the Commission, upon its own motion, determined that it was appropriate to examine the issue of the interconnection of customer provided terminal equipment to the facilities of the telephone systems subject to the jurisdiction of Ontario;

1.5 AND WHEREAS, the Commission, upon reading the submissions and other material filed from interested parties, and upon the evidence presented during the hearing;

1.6 THE COMMISSION AUTHORIZES, on an interim basis, under and in pursuance of sections 6(1), 15, 21 and 91 of The Telephone Act (R.S.O. 1980, c.496) the interconnection of customer provided terminal equipment to the facilities of the telephone systems in Ontario in accordance with the following terms and conditions:

1.6.1 The customer provided terminal equipment and connecting device have received certification under the Government of Canada, Department of Communications, Terminal Attachment Program and/or have been certified to meet Part 68 of the Rules and Regulations of the Federal Communications Commission of the United States of America.

1.6.2 The customer provided terminal equipment is appropriately equipped to interface with the telephone system by means of (a) a connecting device compatible with the telephone system provided connecting device or (b) an acoustical or induction connection in which case condition 1.6.1 is not applicable.

1.6.3 The customer provided terminal equipment is for use on individual lines only and not party lines.

1.6.4 The customer provided terminal equipment is for use on residential lines and business lines provided by a telephone system as listed in Appendix 1 of this Order or for use on residential lines only, provided by a telephone system as listed in Appendix 2 of this Order.

1.7 THE COMMISSION ORDERS that any telephone system selling terminal equipment maintain accounting records and documentation for the sale and costing of such equipment which will allow the Commission to determine the impact on the telephone customers from such sales.

1.8 THE COMMISSION FURTHER ORDERS that the telephone system provide the necessary inside wiring, including the connecting device(s) and, in the case of single

line service, a telephone set, to every customer wishing to interconnect customer provided terminal equipment, at rates approved for such services.

1.9 THE COMMISSION DIRECTS that the telephone systems shall continue to apply the existing rates and charges which have received the approval of the Commission and the telephone systems shall continue to fulfill their obligation to furnish continuous telephone service that adequately and efficiently meets the needs of the public in the territory in which it operates, pursuant to section 89(1) of The Telephone Act (R.S.O. 1980, c.496).

1.10 THE COMMISSION INVITES written submissions on or before January 31, 1983 from any interested party regarding the issue of rate unbundling.

2.0 REASONS

Since 1979, there has been an increase in the number of applications made pursuant to section 91 of The Telephone Act for the interconnection of customer provided terminal equipment. Without exception these applications have been reviewed on an individual basis and the Commission has provided an opportunity for interested parties to intervene. In August 1980, the Canadian Radio-television and Telecommunications Commission (CRTC) issued Telecom Decision 80-13 which set out the requirements for the attachment of customer provided terminal equipment to Bell Canada's telephone network. Although the CRTC decision had no application to the customers served by the independent telephone systems in Ontario, the Commission recognized the change in attitudes and expectations of the customers served by the independent telephone systems. On November 12, 1981, Order No. 4090 was issued which revoked Commission Order No. 2612 dated January 21, 1970. It was the Commission's view that the requirements and conditions for interconnection which were specified in Order No. 2612 were in the public interest during the early 1970's but were no longer appropriate for the telecommunications environment of the 1980's. In Order No. 4090, the Commission concluded by stating:

> The Commission believes that a complete re-examination of all current issues regarding terminal interconnection will be beneficial for the customers served by the telephone systems per se. In this regard it is the Commission's intention to hold a public hearing in the Spring of 1982, and to encourage the participation of all interested parties.

During November, 1981, notices were placed in newspapers throughout Ontario and particularly in those regions served by the telephone systems. Interested parties were invited to identify and submit issues relevant to terminal interconnection by December 31, 1981.

The Commission also mailed a copy of the notice to each of the 31 independent telephone systems with a covering letter which specifically requested their views and comments on the issues related to terminal interconnection. Numerous written submissions were received and carefully reviewed by the Commission. Those interested parties who submitted written comment were identified as parties of record. In February 1982, the Commission published in newspapers throughout Ontario a list of seven issues which were to be examined during the public hearing and tentatively scheduled a public hearing commencing on June 23, 1982.

All parties of record received from the Commission a copy of the issues as were each of the telephone systems and, in a covering letter, the Commission requested written comments regarding the issues prior to April 30, 1982. The seven issues were as follows:

(1) Whether or not or to what extent the attachment of customer provided terminal devices is in the public interest and if so, the appropriate scope and phasing in of customer provided terminal attachment.

(2) The impact of customer provided terminal attachment on the needs of telephone subscribers, carrier responsiveness and the quality of service generally.

(3) The impact of customer provided terminal attachment on the revenues, the costs and the rates of the telephone systems.

(4) The effect of customer provided terminal attachment on telecommunication manufacturers and suppliers.

(5) The technical standards and the method of compliance which should apply to customer provided terminal devices.

(6) The rules governing the participation of a telephone system or subsidiary of a telephone system in the market for the provision of customer provided terminal devices.

(7) The nature and extent of the Commission's jurisdiction to make orders dealing with customer provided terminal attachment particularly with respect to the current tariffs of the telephone systems under Commission jurisdiction and other questions of law.

Written submissions were received from a number of the parties of record and copies were made available to all parties of record in preparation for the public hearing which was to commence on June 23, 1982 in Downsview. Interested parties who attended and participated during the hearing were:

Canadian Business Equipment Manufacturers Association (CBEMA)
Canadian Federation Communications Workers (CFCW)
Canadian Radio Common Carriers Association (CRCCA)
CNCP Telecommunications
The Corporation of the City of Thunder Bay
Consumer and Corporate Affairs Canada
International Brotherhood of Electrical Works Local 339
Joint Submission of: Durham Telephones Limited
Hurontario Telephones Limited
North Norwich Municipal Telephone System
Mid Canada Phone Systems
Northern Telephone Limited
Ontario Hospital Association
Ontario Telephone Association

The Commission has reviewed the submissions and considered the proposals presented by interested parties. After careful deliberation by the Commission, it is the decision of the Commission that this Interim Order is not only appropriate but essential. In this regard, the Commission has approved on an interim basis, as a broad policy, the interconnection of customer provided terminal equipment to the facilities of the telephone systems in Ontario subject to the conditions stated in Section 1.6 of this Order. More specifically, it is required that certain terms and conditions be met in respect to terminal interconnection in order that telephone service is made adequately and efficiently available to the public. In particular, the Commission wishes to monitor and assess the possible impact that terminal interconnection may have on local service rates for telephone service provided by relatively small telephone systems. For this reason, the Commission has in this Order differentiated between smaller systems with generally fewer than 1500 main stations and larger systems with generally more than 1500 main stations. In the interim and until the Commission finalizes its evaluation of the interconnection issues, business customers will not be permitted to interconnect customer provided terminal equipment to the network of a telephone system listed in Appendix 2 of this Order. Notwithstanding this condition the Commission will continue to accept and review applications made pursuant to section 91 of The Telephone Act for the interconnection of any specific makes and types of terminal equipment to a business line provided by a telephone system with fewer than 1500 main stations during the interim period which this Order will be in effect.

The decision to differentiate between larger and smaller systems was made having regard to the Commission's decision adopting the Uniform System of Accounts. It was the Commission's opinion that systems with less than approximately 1500 main stations would have insufficient resources to administer the Uniform System of Accounts. Similarly, the Commission is of the view that relatively small telephone systems may not have the resources to deal with the potential consequences of terminal interconnection in a timely fashion. More importantly, it is the Commission's view that if terminal interconnection should create any upward pressure on telephone rates, it may be the customers served by the small systems who will be affected to the greatest extent. If, during the interim period, telephone systems with less than 1500 main stations have any evidence, circumstantial or otherwise, which is relevant to this issue, the Commission will accept and consider a submission before rendering a final decision.

Appendix 1 to this Order lists the telephone systems with 1500 or more main stations and Appendix 2 lists the systems with less than 1500 main stations as at December 31, 1981. This information has been taken from the Ontario Telephone Service Commission's 1981 Annual Report. If, during the interim period, any telephone system has had an increase or decrease in main telephones so that it is no longer considered expedient to be included in Appendix 1 or Appendix 2, as the case may be, the classification of the telephone system will be reviewed upon application to the Commission.

During the hearing of June 23 and 24, 1982 and through the written submissions filed prior to the hearing, the Commission heard from the Ontario Telephone Association (submission dated April 27, 1982), a joint submission from Durham Telephones Limited, Hurontario Telephones Limited and North Norwich Municipal Telephone System (submission dated April 21, 1982), Northern Telephone Limited (submission dated December 29, 1981, and April 30, 1982) and Thunder Bay Telecommunications (submission dated April 29, 1982) regarding the necessity to unbundle telephone rates should terminal interconnection be approved.

The Commission now invites written submissions from these parties or any other telephone system dealing with the issue of rate unbundling. A submission regarding unbundling can be a general discussion regarding unbundling and/or a specific proposal for a particular telephone system.

Upon completion of the review of all relevant aspects of terminal interconnection as it relates to the telephone systems under the jurisdiction of the Commission, the Commission will issue a final Order specifying the terms and conditions of the interconnection of customer provided terminal equipment. During the interim period which this Order will be in effect, the Commission will accept and review applications made pursuant to section 91 of The Telephone Act for any specific makes or types of terminal equipment which do not meet the criteria set out in Section 1.0 of this Order.

Chairman

APPENDIX 1

Telephone Systems with 1500 or more Main Stations as at December 31, 1981

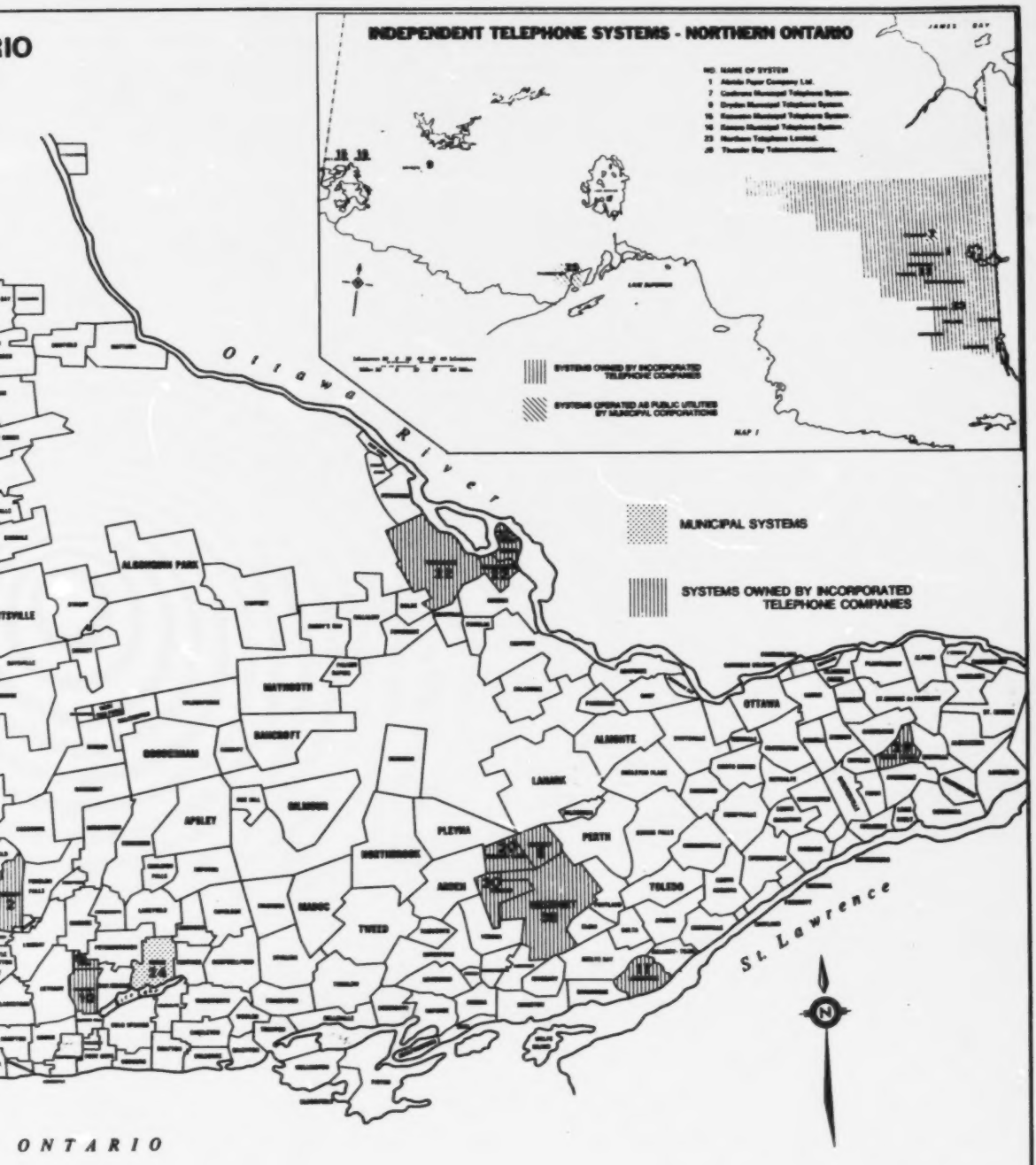
Amtelecom Inc.
Blanshard Municipal Telephone System
Bruce Municipal Telephone System
Cochrane Municipal Telephone System
Dryden Municipal Telephone System
Hay Municipal Telephone System
Huron and Kinloss Municipal Telephone System
Kenora Municipal Telephone System
Manitoulin Island Telephone Company Limited
Northern Telephone Limited
The People's Telephone Company of Forest Limited
South Bruce Rural Telephone Company Limited
Thunder Bay Telecommunications
Tuckersmith Municipal Telephone System
Wightman Telephone Limited

APPENDIX 2

Telephone Systems with Less than 1500 Main Stations as at December 31, 1981

Abitibi-Price Incorporated
Brooke Municipal Telephone System
Capital Telephone Company Limited
Coldwater Municipal Telephone System
Durham Telephones Limited
Gosfield North Municipal Telephone System
Hurontario Telephones Limited
Keewatin Municipal Telephone System
Lansdowne Rural Telephone Company Limited
Mornington Municipal Telephone System
North Frontenac Telephone Company Limited
North Norwich Municipal Telephone System
North Renfrew Telephone Company Limited
Otonabee Municipal Telephone System
Roxborough Telephone Company Limited
Westport Telephone Company

INDEPENDENT TELEPHONE SYSTEMS - SOUTHERN ONTA
LAKE HURON
Georgian Bay
Lake Simcoe
Lake St. Clair
CHATHAM
LAKE ERIE
McKELLAR
ROSSEAU
SIMCOE
DUNNVILLE



NO.	NAME OF SYSTEM	MAP
1	Abitibi Power Company Ltd.	1
2	Astoboom Inc.	2
3	Bloated Municipal Telephone System	2
4	Brooke Municipal Telephone System	2
5	Brue Municipal Telephone System	2
6	Capital Telephone Company Limited, The	2
7	Cochrane Municipal Telephone System	1
8	Colchester Municipal Telephone System	2
9	Dryden Municipal Telephone System	1
10	Durham Telephone Limited	2
11	Garfield North Municipal Telephone System	2
12	Hay Municipal Telephone System	2
13	Huron & Kinloss Municipal Telephone System	2
14	Hurontario Telephone Limited	2
15	Kenosha Municipal Telephone System	1

NO.	NAME OF SYSTEM	MAP
16	Kenora Municipal Telephone System	1
17	Lansdowne Rural Telephone Company Limited, The	2
18	Manitoulin Island Telephone Company Limited	2
19	Mornington Municipal Telephone System	2
20	North Frontenac Telephone Company Limited	2
21	North Norwich Municipal Telephone System	2
22	North Renfrew Telephone Company Limited	2
23	Northern Telephone Limited	1
24	Ops-Adjo Municipal Telephone System	2
25	People's Telephone Company of Forest, Limited	2
26	Roxborough Telephone Company Limited	2
27	South Bruce Rural Telephone Company Limited	2
28	Thunder Bay Telecommunications	1
29	Tottenham Municipal Telephone System	2
30	Westport Telephone Company Limited, The	2
31	Wightman Telephone Limited	2

kilometres 10 0 10 20 30 40 kilometres
Miles 10 0 10 20 30 Miles

ONTARIO TELEPHONE SERVICE COMMISSION

Ontario
Ministry of Transportation and Communications

MAP 2

APPENDIX (viii)